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**MICROFINANCE FACTORS AND RELIGIOSITY  
INFLUENCING BUSINESS PERFORMANCE OF MICRO AND  
SMALL ENTREPRENEURS (MSE) AMONG TEKUN  
BORROWERS**

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**UUM**  
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**MICROFINANCE FACTORS AND RELIGIOSITY INFLUENCING BUSINESS  
PERFORMANCE OF MICRO AND SMALL ENTREPRENEURS (MSE) AMONG  
TEKUN BORROWERS**



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**Pusat Pengajian Pengurusan  
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## ABSTRACT

The study aims to examine the relationship between microfinance factors (credit access, training, social capital) and religiosity on the business performance of micro and small entrepreneurs among TEKUN borrowers. Literature was reviewed in entrepreneurship, management, and other related fields to provide better understanding regarding past, present, and future needs in study area. Entrepreneurship has been identified as the vital tool for promoting economic and social growth for the nation. Entrepreneurship at the micro and small level helps to generate income at the household and national level. The microfinance institutions have been identified as the source of providing credit access and other tools in assisting entrepreneurs. Aside from that, religiosity is another aspect which influenced the development of entrepreneurship. The in-depth review of literature has led to the establishment of a theoretical framework to examine the relationship of microfinance factors and religiosity with business performance. A questionnaire survey was designed and distributed towards the 320 entrepreneurs whom are borrowing from Tekun Nasional in Kedah. The study employed cluster sampling method and the result were analyzed using statistical analysis SPSS version 22. The surveys were distributed physically, and 102 responses were received. The findings of this study indicate that there is the relationship between credit access, training, social capital, and religiosity towards business performance. Credit access ( $r = 0.604$ ) and religiosity ( $r = 0.637$ ) have large correlation coefficient while training ( $r = 0.431$ ) and social capital ( $r = 0.332$ ) have medium correlation coefficient. Lastly, the discussion and explanation on limitation, theoretical and practical implications, limitations, direction for future research, and conclusions were included.

**Keywords:** *entrepreneurship, microfinance factors, credit access, training, social capital, religiosity, business performance*

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## ABSTRAK

Kajian ini bertujuan untuk mengkaji hubungan antara faktor pembiayaan mikro (akses kredit, latihan, modal sosial) dan keagamaan terhadap prestasi perniagaan usahawan mikro dan kecil di kalangan peminjam TEKUN. Literatur dan kajian terdahulu dalam bidang keusahawanan, pengurusan, dan bidang-bidang lain yang berkaitan telah dikaji semula untuk memberikan pemahaman yang lebih baik mengenai keperluan masa lalu, sekarang dan masa depan dalam bidang berkaitan. Keusahawanan telah dikenalpasti sebagai alat penting untuk mempromosikan pertumbuhan ekonomi dan sosial untuk negara. Keusahawanan di peringkat mikro dan kecil membantu menjana pendapatan di peringkat isi rumah dan negara. Institusi kewangan mikro telah dikenalpasti sebagai sumber menyediakan akses kredit dan kemudahan lain untuk membantu usahawan. Selain itu, keagamaan adalah aspek lain yang mempengaruhi perkembangan keusahawanan. Kajian mendalam kesusasteraan telah membawa kepada penubuhan rangka kerja teori untuk mengkaji hubungan faktor-faktor pembiayaan mikro dan keagamaan dengan prestasi perniagaan. Tinjauan soal selidik telah direka dan diedarkan ke arah 320 usahawan yang meminjam dari Tekun Nasional di Kedah. Kajian ini menggunakan kaedah pensampelan kluster dan hasilnya dianalisis dengan menggunakan analisis statistik SPSS versi 22. Borang kaji selidik diedarkan secara fizikal, dan 102 respon diterima daripada responden. Penemuan kajian menunjukkan terdapat hubungan antara akses kredit, latihan, modal sosial, dan keagamaan terhadap prestasi perniagaan. Akses kredit ( $r = 0.604$ ) dan keagamaan ( $r = 0.637$ ) mempunyai pekali korelasi besar manakala latihan ( $r = 0.431$ ) dan modal sosial ( $r = 0.332$ ) mempunyai koefisien korelasi sederhana. Akhir sekali, perbincangan dan penjelasan mengenai limitasi kajian, teoretikal dan praktikal implikasi, limitasi, cadangan untuk penyelidikan masa depan, dan kesimpulan telah dimasukkan.

**Kata kunci:** *keusahawanan, faktor pembiayaan mikro, akses kredit, latihan, modal sosial, keagamaan, prestasi perniagaan.*

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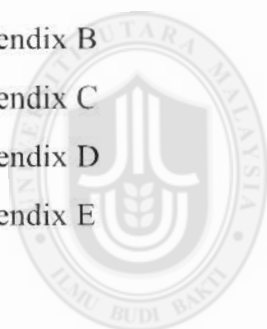
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## LIST OF ABBREVIATIONS

ABBREVIATION	DESCRIPTIONS
GDP	Gross Domestic Product
MFI	Microfinance Institutions
MSE	Micro and Small Entrepreneurs
SPSS	Statistical Package for Social Science
KMO	Kaiser-Mayer Olkin



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## **CHAPTER 1**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter explains the purpose of current research in relation to social entrepreneurship areas of study. The issues pertaining to microfinancing among Micro and Small Entrepreneurs (MSE) were highlighted via research background and problem statements. The research questions and research objectives provide definitive purposes of current research. The scope of research has been defined to give clear understanding of current research. The key terms are described and defined to assist readers understanding.

#### **1.1 Research Background**

Entrepreneurship has contributed to the economic development in Malaysia, and its contribution is getting more significant in recent years. Economic growth is contributed by the activity of entrepreneurship. Entrepreneurship is important in restoring balance between social and economic purposes (Fayolle & Matlay, 2010). The growing role of small enterprises as driver of growth, job creation, and tools for poverty alleviation has been increasingly recognized by the government worldwide (Nasip, Fabeil, Buncha, Nga, Hui, Laison, & Jr., 2017). Thus, we could see that entrepreneurship is one of the poverty eradication strategies developed in Malaysia. It is evidenced through various supporting mechanisms provided such as funding, physical infrastructure, business advisory and policies in place for entrepreneurs by the Malaysian government (Ariff & Abubakar, 2002). The Ministry of Entrepreneur Development is established to manage entrepreneurship development activities in general (Ariff & Abubakar, 2002). As stated by Ghalib, Malki,

and Imai (2011), Micro and Small Entrepreneurs (MSEs) contributed significantly towards the economic development particularly in growing economy. This statement could be supported by the statistics provided where the contribution of formal MSEs towards Gross Domestic Product (GDP) is 16% in low income countries and 51% in high income countries (Aslam, 2013). Likewise, MSEs have provided employment to 78% workforce in low income countries and 66% workforce in high income countries (Aslam, 2013). According to SME Annual Report 2016-2017, entrepreneurship is highlighted as Malaysia's megatrend. This is due to the rapid growth markets that is switching from necessity to opportunity. The Malaysian Social Enterprise Blueprint 2015-2018 has been developed by the government to empower impact-driven entrepreneurs (MaGIC, 2015). Social enterprise integrates the goal of attaining social mission through business models (MaGIC, 2015). Hence, we could see the trend and pattern that Malaysia is gearing towards entrepreneurship development.

In discussing entrepreneurship development, it is important to understand different classification of enterprise in Malaysia. This study is focusing towards micro and small enterprise in Malaysia. SME Corp has provided detailed definition pertaining to the category of micro and small enterprise.

Table 1.1 *SME Detailed Definition of Enterprise According to Category*

Type of Enterprise	Manufacturing Sector	Service and Other Sectors
Micro enterprise		
Sales turnover:	< RM 300, 000	< RM 300,000
Number of employees:	< 5	< 5
Small enterprise		
Sales turnover:	RM 300, 000 < RM 15 mil	RM 300, 000 < RM 3 mil
Number of employees:	5 to 75	5 to 30

Source: SME Corp, 2018

Hence, the distinctive category of each enterprise would help provide better understanding to identify relevant factors in this study.

It is acknowledged that financing is an important factor in conducting business activity particularly for micro and small enterprises (MSE). Capital accessibility has always been a crucial problem for MSE. Hence, the microfinancing model have been found by Muhammad Yunus, an economics professor from Bangladesh implemented the altered economic theories to the poor in 1974. Grameen Bank, the first microfinance institution (MFI) was established in 1976. The purpose for Grameen Bank establishment is to offer small loans to the lower income individuals to enable self-employment (Muridan & Ibrahim, 2016). Microfinancing has managed to enhance business activities as well as the quality of life (Muridan & Ibrahim, 2016). Malaysia have replicated the microfinancing model from Grameen Bank (Mokhtar, Nartea, & Gan, 2012). Several institutions and non-banking government agencies have administered microfinancing program in Malaysia

(Hamdan, Othman, & Sabri Wan Hussin, 2012). For instance, Lembaga Zakat Selangor (LZS), Amanah Ikhtiar Malaysian (AIM), and Tekun Nasional (TEKUN) (Hamdan et al., 2012). However, Malaysian MFIs only provide microcredit loans. The MFIs do not offer micro savings and micro insurance as parts of microfinance services like in Bangladesh and Indonesia (Mokhtar et al., 2012). In Malaysia, management fees have been used to replace the interest fees in accordance with the Sharia Law (Mokhtar et al., 2012).

MSE could obtain funds and other forms of assistance to initiate and manage their businesses from the microfinance institutions. In Malaysia, microfinance institutions (MFIs), microfinancing schemes support microenterprises via financing up to RM 50,000 without collateral through easier and faster process (Bank Negara, 2018). According to SME Annual Report 2016-2017, the utilization rate of the microenterprise fund is 73.9% (SME, 2017). The credit provided is often used for start-up business and working capital purposes (Nawai & Shariff, 2011). Hence, MFI is seen as a built-in mechanism to assist micro and small entrepreneurs in Malaysia.

#### **1.1.1 The Economic Fund for National Entrepreneurs Group (TEKUN)**

The Economic Fund for National Entrepreneurs Group (TEKUN) is one of the microfinance institution established on 9 November 1998 (TEKUN, 2018). TEKUN was the project outcome of Penang Bumiputera Economic Convention. Universiti Sains Malaysia (USM) has started TEKUN as its pilot project. Previously, TEKUN Nasional Foundation is an agency under the Ministry of Entrepreneurial and Cooperative

Development (TEKUN, 2018). To date, TEKUN has been under purview of Ministry of Agriculture and Agro-Based Malaysia (Mokhtar et al., 2012). The main objective for its establishment is to provide quick and easy financing facilities to Bumiputera to start-up and expand their businesses (TEKUN, 2018). It has experienced several changes to meet the recent trends of emerging as a strategic entrepreneur development partner for businesses instead of financing body (TEKUN, 2018).

TEKUN does not only offer capital financing but also profit generation opportunities, business guidance, support services and entrepreneurial networking platform (TEKUN, 2018). Currently, TEKUN Nasional is providing eight types of services including Teman Niaga Financing Scheme, Teman TEKUN Financing Scheme, Kontrak-I Financing Scheme, Ar-Rahnu TEKUN, Indian Community Entrepreneur Development Scheme (SPUMI), Special Program, Young Professional Bumiputera Entrepreneur Development Program and Ex-Army Entrepreneur Financing Scheme (TEKUN, 2018).

The main challenge for TEKUN Nasional in dealing with SME borrowers is the loan repayment crisis. According to the Auditor's General Report, TEKUN Nasional recorded RM 275.20 million before readjustment in repayment default at the end of 2016 (Auditor's General Report, 2016). The readjustment amount is RM 277.80 million (Auditor's General, Report. 2016). Previously, in 2009, TEKUN recorded a non-performing loan rate of 15% with the value of uncollectible loans worth RM 225 million. The amount had been accumulated since 1999. To solve this problem, TEKUN has launched the loan repayment



campaign “Let’s Pay Back the Loan” to encourage borrowers to pay back. The management have also decided to blacklist the borrowers who default in loan repayment (Mokhtar et al., 2012). The recurring problem of loan repayment among the borrowers have affected TEKUN performance as MFI.

Entrepreneurs’ business performance could influence borrowers’ loan repayment. According to a research conducted by Makundi (2015), it has found that there is a significant relationship between loan repayment and entrepreneurs’ business performance. In his study, he defined business performance in terms of customer satisfaction and increase in financial performance. He stated that business founder’s lack of necessary skills such as documenting business record and management competency affected business performance. Small businesses with one-man key are highly likely to fall into limited finance which would affect business performance. Another example from a research conducted upon TEKUN borrowers as respondents have found that total sales is statistically significant in the delinquent category (Nawai & Shariff, 2011). The result indicates that individuals whom earned less profit have higher tendency to be in default category (Nawai & Shariff, 2011). In this study, profit and total sales, which are part of business performance indicators have demonstrated the relationship with loan repayment. The affected business performance is likely to result in repayment problems (Makundi, 2015). Therefore, current research focuses in examining the financial influencing business performance of MSE.

## 1.2 Problem Statement

The good business performance indicates better chances for entrepreneurs to pay back the loans (Makundi, 2015). Small and Medium Enterprise Corporation Malaysia (SME Corp. Malaysia), reported that at least 75% of micro businesses failed during the first year of operation (Mazidah et. al, 2016). This indicates that business failure would impact the ability to pay back the loans. Thus, business performance has impact on loan repayment rate in MFI. For example, TEKUN Nasional has been dealing with the loan repayment crisis among its borrowers (Auditor's General Report, 2016). This research is aimed to examine some factors which might influence MSE business performance. The areas of focus are microfinance factors and religiosity. Microfinance factors such as credit accessibility, training, and social capital are the factors affecting business performance (Ekpe, 2011). It has found that there is a significant relationships between religious faith to entrepreneurial values and business performance (Kamarudin, Baharun, Abdullah, Ong, & Liaw, 2013).

According to Asian Institute of Finance (AIF) Research Report, it has found that 48.1% microentrepreneurs in Kuala Lumpur felt that the existing amount of credit loans they received were too small for the business to be sustainable (AIF, 2016, pp.19). This is due to the higher amount of credit loans coupled with the longer repayment period would provide higher chances of attaining profit. AIF (2016) also highlighted the main challenges faced by micro and small entrepreneurs in Kuala Lumpur area. The challenges are lack of capital and stiff competition. It is reported that 58% of the respondents need assistance in the form of working capital. A study discovered that access to credit, management skills,

and marketing are the main challenges for entrepreneurs (Rahman, Yaacob, & Radzi, 2016). Referring to the Global Symposium on Microfinance, 92% of adults in Malaysia have a basic bank account. However, the financing gap for small and microenterprises remains (Global Symposium on Microfinance, 2017).

Another research revealed that most of the respondents emphasized financial problem was the most challenging part for their businesses, where seven out ten respondents mentioned that they experienced the limited access to obtain capital to start their businesses (Mustapha and Subramaniam, 2016). This is due to the non-existence of track record hindered their ability to get access to credit from the banks. A research revealed that business capital influenced Muslim entrepreneurs' successful achievement in Malaysia. This is because, better chances for business success is indicated by sufficient and steady stream of capital. The insufficient capital will interfere with business development (Yaacob and Azmi, 2016).

Hence, from the information discussed, we could infer that the access to credit has become the main problem which would impact the business performance of the micro and small entrepreneurs (MSEs). Borrowers who make less profit are more prone towards default in loan repayment (Nawai & Shariff, 2011). Therefore, the inability to achieve good business performance would result in the repayment default to the microfinance institutions (MFI).

The SME Development Program for 2017, will be focusing on human capital development with an emphasis on entrepreneurship development and productivity (SME Corporation

Malaysia, 2016). The government has allocated RM 137.7 million for 40 human capital development programs with the targeted beneficiaries of 37, 820 entrepreneurs. For instance, the INSKEN Business Scale Up Program would provide comprehensive entrepreneurial skills and knowledge through business counselling, training, consultation, and facilitation for sustainable business development (SME Corporation Malaysia, 2016).

A research conducted in Kelantan discovered that informal micro entrepreneurs whom participated in the development programs possessed relatively higher entrepreneurial competencies, human capital development, and enterprise performance compared to non-participants (Al Mamun, Subramaniam, Che Nawi, and Zainol, 2016). This research demonstrated the pressing needs of training to develop entrepreneurial competencies for entrepreneurs' performance in Malaysia. A research discovered the main reason for SME failures are not being aware of financial and management skills (Rahman et al., 2016).

The inability to manage the funds received from the government or any other sources contribute to the failures (Rahman et al., 2016). Skills such as management and marketing skills deters them from surviving and growing (Rahman et al., 2016). In Malaysia, government agencies such as Majlis Amanah Rakyat (MARA) and SME Corporation have been providing entrepreneurship training (Selvarajah, Krishnan, & Hussin, 2017). There is a potential for improving Malaysia's economic growth through successful entrepreneurial performance with entrepreneurship training (Selvarajah et al., 2017).

Entrepreneurs across the country are facing many challenges such as socio-cultural, lack of management training, access to markets and economic barriers hampering the business performance of their enterprises (Nasip et al., 2017). Hence, they need to depend on some aspects of social capital in terms of knowledge and competencies as these could stimulates their business performance (Nasip et al., 2017). Referring to a research conducted in the West Coast of Sabah, it is found that social capital in terms of structural, relational, and cognitive is positively related to business performance among entrepreneurs. According to Hernandez-Carrion, Camarero-Izqueirdo, and Gutierrez-Cillan (2016), small businesses are lack of sufficient resources which are needed for the growth of the businesses. Therefore, they mentioned that these strategic resources could be obtained through entrepreneurs' relationship network (Hernandez- Carrion, Camarero-Izqueirdo, and Gutierrez-Cillan, 2016; Ostgaard and Birley, 1994). Therefore, social capital has become crucial in developing stronger business performance. Hence, the lack of social capital hindered the access for growing businesses of microenterprises.

According to the Auditor's General Report (2016), TEKUN Nasional recorded RM 275.20 million before readjustment in repayment default at the end of 2016. This indicates that the borrowers have failed to pay back their loans, which is considered as unethical. The Global Economic Crime Survey (Malaysia Report) 2016 by PWC revealed that bribery and corruption in Malaysia rises from 19% in 2014 to 30% in 2016 (PWC, 2016). The figures stated had suggested that the issues of bribery and corruption are getting more serious in Malaysia. Other unethical conducts in business such as asset misappropriation, procurement fraud, and accounting fraud have shown slight reduction, however, bribery



and corruption continue to register higher number of cases (PWC, 2016). The unethical acts of corruption and bribery have raised financial and collateral damage for business organizations. These would impede organizational growth. Furthermore, these unethical conducts would lead towards damaging organizations' reputation and employees' morale (PWC, 2016).

Practicing and implementing religious values inside business organizations would help to reduce the unethical behaviors. This is because, one of the critical elements influencing individuals' value system and lead towards shaping the nation cultural environment is religion (Kamarudin et al., 2013). It could be explained through Islamic point of view, in which the individual's act of worships (prayers, fasting, and paying zakat) would shape the positive values in accordance to Islamic teachings such as discipline, honesty, sincerity, and hard work (Mardhatillah & Rulindo, 2011). Therefore, it is important to view on how to reduce unethical conducts from the perspectives of religiosity in this study.

Overall, to analyze the issues discussed above, this study was conducted on MSEs who are borrowing from Tekun Nasional in Kedah. Moreover, the current issues involving microfinance factors (credit access, social capital, and training) and religiosity are important in affecting MSEs business performance. Since MSEs business performance does influence the ability of MSEs to pay back the loan, this research would be examining the microfinance factors (credit access, training, social capital) and religiosity. Therefore,

perhaps the identified factors could be resolved and would lead to better performance which consequently will enhance the loan repayment rate.

### **1.3 Research Questions**

In this study, research questions have been developed to conduct an organized research. Research questions is vital in determining suitable methods and parameters for data collection and data analysis process. Henceforth, this study is intended to answer the research questions as listed below:

1. Is there any significant relationship between credit access and MSEs' business performance?
2. Is there any significant relationship between training and MSEs' business performance?
3. Is there any significant relationship between social capital and MSEs' business performance?
4. Is there any significant relationship between religiosity and MSEs' business performance?
5. Are there any significant influences of microfinance factors (credit access, training, social capital) and religiosity on MSEs' business performance?

#### **1.4 Research Objectives**

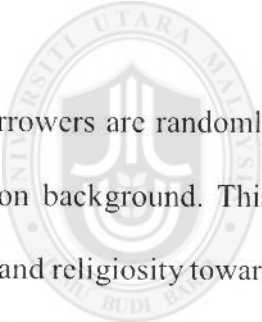
In this study, research objectives are employed to determine the relationship between microfinance factors (credit access, training, social capital) and religiosity with MSEs' business performance.

1. To examine the significant relationship between credit access and MSEs' business performance.
2. To examine the significant relationship between training and MSEs' business performance.
3. To examine the significant relationship between social capital and MSEs' business performance.
4. To examine the significant relationship between religiosity and MSEs' business performance.
5. To examine the significant influences of microfinance factors (credit access, training, social capital) on MSEs' business performance

#### **1.5 Scope and Limitation of Research**

The scope of this study covers the micro and small entrepreneurs (MSEs) who are borrowing from Tekun Nasional within the northern area of Malaysia, particularly in the state of Kedah. The low loan repayment rate among Tekun Nasional borrowers at the national level have become a compelling reason to conduct this study among the borrowers in Kedah. Together with that, this study is intended to examine the relevant issues pertaining to factors affecting entrepreneurs' business performance which consequently lead towards the failure to repay the loan. Besides, Kedah is also well-known for the rice

bowl of Malaysia. Kedah's economy is centered on agriculture. Therefore, most of Kedah population is involved in agriculture related industry. The Department of Statistics Malaysia have published the Economic Census of 2016 which stated that there are approximately 5.4% of businesses established in Kedah. This is quite low compared to other states in Malaysia. Therefore, nowadays, Kedah is encouraging more people to venture in entrepreneurship to produce more professional and middle-class population in its state (Kedah State Development Corporation, 2018). Hence, in alignment with the state development corporation, many people in Kedah is now opting for entrepreneurship. Choosing the state of Kedah as the place to conduct this research would provide in-depth understanding of micro and small businesses.



The borrowers are randomly chosen from various types of businesses, demographic, and education background. This study is focused on the relationship between microfinance factors and religiosity towards business performance of micro and small entrepreneurs. The population of this study is 1399 and 302 respondents as the sample of the study.

## **1.6 Significant of Research**

This section would describe the significant of this research from both the practical and theoretical aspects.

### **1.6.1 Practical Contribution**

Entrepreneurial activities drive the economic and social growth of the nation. Practically, in developing countries like Malaysia, it is crucial to encourage the participation of low-income individuals in entrepreneurship. The outcomes from entrepreneurial activity would help in the mitigating poverty through increasing the household income of low-individual income. In accordance to Asian Institute of Finance (AIF) Research Report, the United Nations' Millennium Developmental Goals (MDGs) have recognized microfinance as an important tool in alleviate poverty, decrease financial exclusion, and encourage social inclusion (AIF, 2016). Microfinance Institutions have been providing accessibility to credit for small businesses in the form of financial loans. Thus, it is imperative to determine the relationship between credit access and the business performance of microentrepreneurs. These factors should not be ignored since it will be impacting the microfinance loan repayment. Hence, theoretically, the outcomes hereby will provide a clear understanding and awareness to the microfinance institutions to consider incorporating the factors impacting the business performance for microentrepreneurs. The significant identified factors would help the institutions to solve the issues which contributes to the default in loan payment. This consideration helps in better structuring the necessary programs, training, loan products and repayment period decisions for the microfinance institutions in Malaysia.

### 1.6.2 Theoretical Contribution

Additionally, this study is intended to provide more empirical findings and evidences to support the preceding study either in clarifying the relationship of microfinance factors (access to credit, training, and social capital) and religiosity on entrepreneurs' business performance. There are numerous linkages between microfinance factors and business performance. However, the element of religiosity is scarcely linked together with the microfinance factors to examine the MSEs' business performance. In this manner, the findings are viewed as important to increase awareness on microfinance factors and religiosity to enhance entrepreneurs' business performance. The findings would provide detail references and guidance from the entrepreneurs' point of view on how microfinance factors and religiosity would possess the link with business performances. Finally, the findings from this study would be beneficial and valuable as a wellspring of data, references, or guidance for future research.

### 1.7 Definition of Key Terms

This section provided the definition of important key terms used in this study.

**Entrepreneurs:** Kuratko (2009) has provided comprehensive definition for entrepreneurs. Entrepreneur is an innovator who recognizes and seizes opportunities; converts them into marketable ideas; add values through time, effort, money, or skills; and assumes the risks of the competitive marketplace to implement those ideas.

**Microentrepreneurs:** Microentrepreneurs are individuals who own and managed microenterprises. In Malaysia, an enterprise is classified as microenterprise in the

manufacturing and services and other sectors if it has the annual sales turnover of less than RM 300,000 or less than 5 employees (SME Corp, 2015)

**Micro and Small Entrepreneurs (MSE):** Micro and small entrepreneurs are individuals who owned and managed micro and small enterprises. SME Corp has provided detailed definition pertaining to the category of micro and small enterprise. Small enterprise is an enterprise which have the sales turnover between RM 300,000 to RM 15 million or the number of employees is between 5 to 75 for the manufacturing sector (SME Corp, 2015). For services and other sectors, small enterprise is an enterprise which have the sales turnover between RM 300, 000 to RM 3 million and the number of employees is from 5 to 30 (SME Corp, 2015). An enterprise is classified as microenterprise in the manufacturing and services and other sectors if it has the annual sales turnover of less than RM 300,000 or less than 5 employees (SME Corp, 2015).

**Microfinance:** In Malaysia, microfinancing is developed to provide financing for micro, small, and medium enterprises (Muridan & Ibrahim, 2016). Malaysian government perceived it as crucial to develop sustainable microfinancing industry (Muridan & Ibrahim, 2016) .Microfinancing is aimed to ensure that microenterprises have access to financial systems formally (Muridan & Ibrahim, 2016).

**Microfinance Institutions (MFI):** Financial institutions which provide microfinancing services to microenterprises and was subsidized by the government since their existence (Muridan & Ibrahim, 2016). Most of MFIs in Malaysia are subsidized institutions as they received funds from the government and local governments (Nawai & Shariff, 2011).

**Credit Access:** The ability of the entrepreneurs to access both internal and external financial resources with minimum or without the presence of financial and non-financial barriers (Yunus, 1998).

**Training:** Nyambura (2014) described that training as practical in nature where entrepreneurs learn and acquire knowledge through application, doing, experiences, examples, and mistakes.

**Social Capital:** A concept embedded in the structure of relations that depicts in what way the group could serve as a resource for the members of the group's social structure (Coleman, 1988). Social capital is provided through entrepreneurial networking (Allen, 2000). This notion is emphasized in a standard economy system through the position of strong personal relationships and networks of relationships (Adwin et. al, 2016). The concept of social capital is consistent with its role to support entrepreneurship activities (Charles et. al, 2007).

**Religiosity:** The practices carried out by those who profess to a faith (Doyle, 1992). Typically, religiosity involves discussions about belief systems and the range of personal, familial, and work-related commitments to the systems (Brandt, 1996).

**Owner-Manager:** Referring to Yaacob and Azmi (2016), from MSE's perspective, the owner is assumed as the manager, whom the individual is directly responsible for developing and crafting the strategy of the enterprise.



## **1.8 Organization of the Dissertation**

This chapter has provided the background of the study, problem statement, research questions, research objectives, scope and limitation of research, and significant of research.

This chapter also discussed the definition of key terms used in this study.

Chapter 2 will provide in-depth discussions on previous literatures and studies pertaining to the variables involved in this study. Underpinning theory which is employed in this study is also explained in Chapter 2. Research framework is also developed in Chapter 2.

Chapter 3 will be discussing proper research methodology which would be employed in this study. This chapter involved further explanation in relation to data collection method, pilot study, and data analysis method.

Meanwhile, Chapter 4 would be discussing the results of the analysis from the data collected. Multiple analysis such as Exploratory Factor Analysis (EFA), Reliability Analysis, Descriptive Analysis and Correlation Analysis are conducted, and the result are discussed in this study.

Finally, Chapter 5 includes the whole summary for this research, discussions pertaining to the findings, limitations of the study, directions for future research, implications of research as well as conclusion.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter contains relevant articles, journals, books and other sources pertaining to the microfinance factors (credits, training, social capital) and religiosity influencing business performance for entrepreneurs. It is intended to analyze significant literatures related to the studies within this fields. This chapter mainly discusses the definition of dependent variables and independent variables pertaining to this research. Furthermore, the relationship between each independent variable to the dependent variable is also discussed. The third section described the research framework model and underpinning theory of this study.

#### 2.1 Business Performance

Various definition and measurement of business performance have been stated by most empirical researchers (Nasip et al., 2017). The ability and method employed to quantify and regulate prescribed activities or events are specified by performance measurement (Morgan, 2004). The main goals of their study have determined different levels of performance. For instance, financial performance (e.g. Zahra and Covin, 1995) and long-term performance (e.g. Wiklund, 1999) (Nasip et al., 2017). It is imperative to consider distinguishing between measuring subjective (perceived or perception performance) and objective business performance (Nasip et al., 2017). Enterprises involved in entrepreneurial activities emphasized more on growth rate and profit margin (Covin and

Slevin, 1991). Financial indicators such as sales growth and return on investment could estimate the growth rate and profit margin (Covin and Slevin, 1991). Moreover, Dess, Lumpkin and Covin (1997) detailed four items such as sales growth, profitability, returns on investment and overall performance as performance measurement. Mann and Kehoe (1994) and Francos-Santos et. al (2007) propose business performance to be measured using the business performance measurement (BPM) system, which is a tool mainly used in business and social science studies.

There are four different measures outlined by Rosa, Carter, and Hamilton (1996). The first one is the primary performance measures which includes the number of employees, growth in employees, turnover, and capital assets value; b) proxy performance measures, for example market geographical range; c) subjective measures which extent to the business ability to cater both the business and domestic needs; and d) entrepreneurial performance measures of the needs for growth as well as multiple businesses ownership. In measuring micro-enterprise performance, Mead and Liedholm (1998) included three performance indicators in their study. The changes in the number of employees, profitability, and contribution to household income are the three performance measures (Mead & Liedholm, 1998). Zainol et al. (2017), mentioned that there are several factors which could influence performances, however several scholars agree that success/growth, profitability and relative performance would be the three main indicators (Chandler & Jansen, 1992; Man et al., 2002). Additionally, Hammawa (2018) mentioned that subjective items such as income, sales volume, customer output and the increment of number of employees are used by other researchers to measure performance (Ekpe, 2011; Eversole, 2009). From the

Islamic point of view, an entrepreneur who follows and abide to the religion's rules and principles is regarded as a successful person in this world and the hereafter (Mahmood & Rosli, 2003). According to Zainol et al. (2017), performance for microenterprises also depends on the cost for implementing these strategies, unique combination of resources as well as the competences of the enterprise (Barney, 1991; Lockett & Thompson, 2001; Hawawini, Subramaniam & Verdin, 2003).

Performance measurement is categorized into two approaches, which are objective (financial) and subjective (non-financial) (Rhodes and Butler, 2004; Fatimah-Salwa, Mohamad-Azahari, & Joni-Tamkin, 2013). Generally, the distinction based on the industry nature and mode of profit have made it difficult to measure business performance (Nasip et al., 2017). It is also found that Reijonen (2008) classified business performance dimensions in line with Rhodes and Butler (2004). Business performance could be examined in two main dimensions, which are objective and subjective (Reijonen, 2008; Nasip et al., 2017). Growth, profitability, and market share are the three types of indicators which are expressed by either financial or non-financial indicators (Nasip et al., 2017). Measuring business performance objectively is through using financial measurement. Fatimah-Salwa et al. (2013) stated that the dimensions included for financial performance are asset owned (Norma & Jarita, 2010), income (Haber & Reichel, 2005), return on investment (Gadenne, 1998) return on asset (Masuo et.al., 2001) et cet. Subjective business performance is focusing on personal issues (Reijonen, 2008).

According to Hammawa (2018), there are several studies which narrowed on the microenterprises' performance (Peter, 2001; Kuzulwa, 2005; Ekpe et al., 2010, 2011; Al Mamun & Ekpe, 2016; Kessy & Temmu, 2010; Haider et al., 2017), small firms as well as medium businesses (Hisrich, 2004; Rosa, Carter, & Hamilton, 1996; Santos, Romero, & Serrano, 2012; Man, Lau, & Snape, 2008). Nevertheless, he argued that it is required to conduct additional empirical research for deeper understanding on the factors influencing good business performances (Hammawa, 2018). From the perspective of small business owner, financial measurement is related with firm performance in terms of growth while non-financial is the measures of success in terms of job satisfaction and product quality (Reijonen, 2008). According to Ekpe (2011), there is very little information is known about MSEs in developing countries as most MSEs are not formally registered and recognized. Performance is commonly measured using the financial measures (Adekunle, 2011). Adekunle (2011) revealed that majority of MSEs' owners do not keep formal accounting records. Hence, it is hard to obtain the appropriate measure for the purpose of performance measurement. Fatimah-Salwa et al. (2013) listed some rationales behind utilizing subjective business performance measurement are due to the struggle for obtaining exact financial performance information (Garengo et.al, 2005), the struggle to trace financial record (Zinger et. al., 2001), the status of financial performance records as private and confidential documents which cannot be exposed to the outsiders (Rhodes & Butler, 2004) and others. Additionally, Hammawa (2018) quoted Dess and Robinson (1984) also mentioned that serious problem has been faced by researchers in retrieving required data as the data is severely restricted especially among micro firms. Nasip et al (2017) referring to Dess and Robinson (1984) described financial measurement are thinner particularly in

the varying competitive environment. However, in case of insufficient information, non-financial performance should be measured to fill in the gap (Nasip et al., 2017). From the reasons outlined above, we could infer that the authors agreed that the common reasons have resulted in utilizing the subjective business performance measurement. Harada (2003) and Dafna (2008) agreed that the subjective method would be better since it is more applicable for small and medium entrepreneurs. Furthermore, a research reported that when performance is measured subjectively, then only there is a significant relationship between credit and firm performance (Lee, Pae, and Wong, 2001). The work of scholar such as Dess and Robinson (1984) is followed and referred to as they are utilizing subjective approach in assessing and evaluating entrepreneurs' performances. Therefore, the subjective indicator of business performance indicators has been used in this research. This is because current research is examining the performance for micro and small entrepreneurs, and as stated above, the subjective method would be more suitable for this type of research. Additionally, current research is measuring performance in terms of two dimensions which are operational outcome (output, employment) and financial outcome (assets, profits, sales).

## **2.2 Microfinance Factors**

According to Ekpe (2011), microfinance factors include credit access, savings, training, and social capital. Meanwhile, Hammawa (2018) included credit, savings, training, motivation and network affiliation as financial resources factors which assists microenterprises to ease poverty and boost entrepreneurship activities. Therefore, this study has integrated credit access, training, and social capital as microfinance factors which

served as resources for micro and small entrepreneurs. These three components would be further examined in this study.

### **2.3 Credit Access**

Yaacob and Azmi (2016) stated that the key of emerging in any business is business capital. Entrepreneurs require enough financial resources and assistances to perform business activities or otherwise, business could not grow and survive without enough capital (Yaacob and Azmi, 2016). Nelson (2011) described that at certain wealth thresholds, households could cover the fixed costs of embarking entrepreneurship. Therefore, the increased in credit access would facilitate entrepreneurship. This is because financial access would promote new and existing MSEs (Aftab & Naveed, 2013).

Hammawa (2018) described access to credit as the supply availability of acceptable quality financial services at a reasonable cost. Business activities in any economy can be stimulated with the credit access facilities (Kelley, Singer, & Herrington, 2012; Dong & Chao, 2014). Besides, the financial access would assist in increasing the income of MSEs whom are at the bottom line, which in return contribute towards reducing poverty (Durrani, Usman, Malik, & Ahmad, 2011). However, referring to Yaacob and Azmi (2016), the access to credit in the market has turn out to be more competitive. The competition is due to the increase presence of MSEs within the economy. Previous researchers discussed that the inadequate capital as the most common problems faced by small firms (Agyei-Mensah, 2010; Rahman, Yaacob, & Radzi, 2016). Similarly, Nurbani, Chin, Yeow and Asyikin

(2011) detailed that the lack of capital and access to credit to be the most common problems for entrepreneurs. In addition, the most discussed challenges in previous literature maintained to be the lack of credit access (Smit and Watkins, 2012). According to Makundi (2016), new entrepreneurs would be needing access to external finance for initiating and expanding their operations, developing new products, and investing in new workers or for production facilities. Yaacob and Azmi (2016) referring to Hendrickson and Psarouthakis mentioned that to start their businesses, entrepreneurs who need business capital would be utilizing their savings or borrowing from family members and friends. For business financing purpose, most entrepreneurs would be depending upon loans from banks or other financial institutions (Makundi, 2016).

Ekpe (2011) referring to (Asiama & Osci, 2007) stated that microcredit is the provision of cash and in-kind loan in smaller amount to MSEs. Microcredit is intended to improve their business operations. Critical problem often faced by micro and small entrepreneurs (MSE) is financial constraint (Agier & Szafarz, 2013; Muridan and Ibrahim, 2016). This issue could be supported by the research conducted by Shahdan. It is shown that 50.7% of micro-businesses, 45% of small and medium-sized businesses and 33% of large-scale businesses do not possessed sufficient financial capital would be facing business problems (Yaacob and Azmi, 2016). The lack of internal funds and commercial loans access limitation due to lack of collateral limits MSE's to operate their businesses (Wydick, 1999). They may have to borrow from friends or relatives or from MFIs. However, they would still need to raise more funding to finance growing business operations (Ekpe, 2011). Funds borrowed from MFIs are then utilized by MSEs for their business operations (Ojo, 2009; Ekpe, 2011).



Business capital is needed to complete the business cycle, to buy groceries, pay salaries, bills, office rent, purchase equipment and furniture as well as daily office expenses (Yaacob & Azmi, 2016). In 2003, Shane mentioned that the ability to acquire capital is vital for start-up entrepreneurs to be successful. Similarly, Yaacob & Azmi (2016) agreed that insufficient business capital would hinder business development.

Alom et.al (2016) stated that the important aspect for a firm to perform better is financing. Newman, Schwarz, and Borgia (2014) emphasized the access to finance provided by MFIs would enhanced the performance of SMEs. Stangl, Farley, Sievwright, Brady, & Fritz (2008) mentioned the catalyst for growth and development of businesses is the ability to access credit. They explained that accessing credit enhances business performance in various way for instance, market innovation, marketing information, risk reduction, and enhancing entrepreneurial activity, and other business performance. It is also found through a research conducted by Xavier et al. (2010), where he mentioned that for the firm to have higher stimulus to grow, firm would need easily accessible source of fund with sufficient amount. On the contrary, a research conducted by Maldonado and Gonzalez-Vega (2008) found that due to the high interest rates, MFIs have a negative impact on MSEs performance. Baron and Kenny (1986) mentioned that if the results happened to be inconsistent, there could be other factors present, which are affecting the relationship.

Abul Hassan (2014), stated that Islamic microfinance is aimed to the poorest who worked in the informal sector of the economy. He further classified the jobs which falls under the jurisdiction of the informal sector as the marginal labors who sell locally grown food, make brooms, tailors etc. From history, we could infer that workers/labors in the informal sector

are excluded from formal banking due to a few reasons (Abul hassan, 2014). Abul hassan (2014) further stated a few reasons such as lack of literacy as well as required connections to obtain the loans.

However, the entrepreneurs are often being classified as risky by banks (Makundi, 2016). Similarly, in South Africa, the banks appear to be less inclined to finance entrepreneurs as they perceived the high level of risk and weak expected return (Pretorius and Shaw, 2004; St-Pierre and Bahri, 2006). Therefore, the accessibility of finance capital has been hindered due to the stringent loan conditions from banks and financial institutions (Makundi, 2016). Mochona (2006) stated that borrowers are dissatisfied as the procedure of credit processing is lengthy. The banks also perceived that they must bear the high transaction cost which is financially unsustainable for the tiny loans. Besides, the workers in the informal sectors are perceived as having high credit risks due to the lack of physical collateral. Similarly, it is hard for lenders to access the investment risk due to the uncertainties which are linked characteristically to the business owners (Gichuki & Kinuthia, 2014). The lack of internal funds and commercial loans access limitation due to lack of collateral limits MSE's to operate their businesses (Wydick, 1999). These reasons have become barriers to access to credit.

Nelson (2011) referring to Eswaran and Kotwal (1986) emphasized that accessible working capital would determine which households would be involved in entrepreneurship. Nelson (2011) argued that credit access increment would lower the wealth threshold which in

return, stimulating entrepreneurial activities among the middle-class households. However, households would be shut out of business ownership given that the limited access to credit (Nelson, 2011). The main aim of microcredit programs is to finance entrepreneurial ventures among credit constrained households so that the lives of the underprivileged would be enhanced. Yaacob and Azmi (2016) referring to Bhatt et. al (1999), mentioned that the microcredit programs offer a small amount of financial capital to targeted groups with loose condition.

There are two major dimensions for measuring credit access resources specified by researchers which are loan size and loan utilization (Alakpa, 2014; Ekpe, 2011; Kuzulwa, 2005; Lakwo, 2007; Peter, 2001). Kuzulwa (2005) and Khandler (2001) specified loan size as the gross amount of borrowed funds which could be received by entrepreneurs from MFI or credit groups. According to Lakwo (2007), loan size is the precise total loans which is determined by several dimensions such as entrepreneurs' age, property location, and current interest rate. Hammawa (2018) added that small firms are unable to innovate novel products and services to cater customers' demands without enough finances. Furthermore, the inability to properly managed the borrowed funds would lead to the small business failure (Hammawa, 2018). Hence, to attain the business' goals, credit resources should be managed resourcefully and successfully. Therefore, the present study would be interested in examining credit access within two major dimensions stated, which are loan size and loan utilization.

## 2.4 Credit Access and Business Performance

According to the previous research conducted, through the description and multiple regression analysis, it is found that there is a significant positive relationship between microcredit with the performance of micro and small entrepreneurs (MSE) (Mahmood and Rosli, 2013). According to Al Mamun and Ekpe (2016), favorable credit terms would improve credit accessibility, which later resulting in the enhancement of business performance. Hence, to ensure the performance of MSE, the aspect of credit accessibility should be focused on.

Abdullah Al Mamun (2016) found that credit received has higher impact on microenterprise performance compared to education level and entrepreneurial competencies. A research conducted in Kenya found that credit have positive impact on women enterprise's profit performance (Peter, 2001). While, in Nigeria, credit is found to have significant positive effect on entrepreneurial productivity (Olu, 2009). A research in Malaysia revealed that there is a significant relationships of business capital towards the entrepreneurs' successful achievement (Yaacob & Azmi, 2016). Steady and enough capital indicate higher probability for success (Yaacob & Azmi, 2016). Insufficient capital would interfere with business development, where entrepreneurs would be facing with financial problems (Yaacob & Azmi, 2016).

The firms would perform better given that the aspect of financing is given attention (Alom, Abdullah, Moten, & Azam, 2016). It is found that the sources of fund accessibility and secured funds adequacy affect the performance positively (Alom et al., 2016). In Pakistan,

Aftab and Naveed (2013) emphasized the positive relationship between financial access and MSEs performance. A similar result was reported by Nguyat (2004), where there is a significant correlation between credit accessibility and performance of MSEs. Karnani (2007) reported that there is a significant relationship of credit access on both the subjective and objective performance organization. On the contrary, they also claimed that undesirable consequences would appear if the financial amount is increased. A study conducted for MSEs in Punjab, Pakistan found that there is a positive relationship relating the access to finance with MSEs performance (Asad, Sharif, and Alekam, 2016). However, Babajide (2013) revealed that there is no relationship found on financial access to MSEs performance as he stated the businesses' size and location are more important.

Hence, from the literature which had been reviewed, a hypothesis can be developed as below:

H1: There is a significant relationship between credit and business performance of microentrepreneurs.

## **2.5 Training**

Entrepreneurship training is known as a formal process whereby relevant information is transferred to enrich the human and social capital value of the entrepreneurs' involved (Yaacob and Azmi, 2016). Mescon (1987) agreed that training for entrepreneurs widen the prospect for business growth. Thassanabanjong et al., (2009) provided the definition of training as a learning experience to create a relatively permanent change in an individual which enhance an individual ability to perform on the job. Meanwhile, Nyambura (2014)

described that training as practical in nature where entrepreneurs learn and acquire knowledge through application, doing, experiences, examples, and mistakes. Zainol et al. (2017) referring to Xiao (2002) and Siqueira (2007) mentioned that in accordance to the human capital theory, a part of an individual's capital is investing for education and job skills (training), future earnings potential, and a vital input to economic growth and development. This would further enhance an individual's cognitive capacity and earnings, which later become the human capital indicator (Olssen, Codd, & O'Neill, 2004).

Yaacob et al. (2016) specified that entrepreneurship training covers the range of new product introduction, new production method, new market opening, conquering new source of raw materials and restructuring an industry in a new way. MFIs would provide non-financial service in form of training towards their customers (Ekpe, 2011 ). Training allows entrepreneurs to obtain necessary knowledge, skills, and abilities to tap the entrepreneurial opportunity (Stohmeyer, 2007). According to Ekpe (2011), training is seen as the capacity to acquire skills and education to attain desired goals. Referring to Yaacob and Azmi (2016), training programs for entrepreneurs would mitigate the lack of management and entrepreneurial skills. In this case, the managerial skills are referred to skills such as marketing skills, financial planning and cash flow management which would contribute to the capabilities of entrepreneurial activities (Yaacob et al., 2016). These acquired skills would be applied by entrepreneurs in their daily business activities. However, Gunto & Alias (2013) argued that most entrepreneurs believed that training and human development could be classified as costly and timely. Therefore, they rarely provided training and human development (Gunto & Alias, 2013).

Training sessions have been viewed as irrelevant due to the poor monitoring quality of the training program (Hamdan, Othman, & Husin, 2012). Education and training should be accessible for potential entrepreneurs. This would allow for smooth growth and run of the microenterprises (Alom et al., 2016). He also argued that the general education system does not satisfy the specific needs of the entrepreneurs. Hence, to achieve effective outcomes from training and education on microenterprises, tailored education and training programs are suggested to be offered for free or at low costs as also recommended by Munoz et al. (2014). Previous research conducted found that the success of firms is positively related to the education and training of the entrepreneurs (Bates 1990; Campbell 1992, De Faoite et al. 2003, Goedhuys and Sleuwaegen 2000; Millan et al. 2014; Monahan et al. 2011; Simpson et al. 2004). Apart from the financial matters, skills such as, management and marketing issues deters businesses from surviving and growing (Rahman et al., 2016). Insufficient knowledge of entrepreneurs such as the inability to draw up a business plan contributed towards the complex financing problem (Berry, Sweeting, Goto & Taylor, 2002). The poor marketing skills then lead to the marketing problems in the small business sector which influence the business long-term viability (Rahman et al., 2016). Referring to Fukuyama (1995) and Abul Hassan (2014) mentioned that it is reasonable to assume that the training in entrepreneurial skills would be relevance and of enduring value given that the entrepreneurial opportunities present for credit recipients.

Yaacob et al. (2016) also agreed that training programs must fulfill the important requirements of effective training to achieve the expected goals. Hence, Yaacob et al.

(2016) mentioned the concept of Effective Training Programs (ETP) which must be performed to produce responsible entrepreneurs for viable entrepreneurship. Yaacob et al. (2016) quoted Siemens (2012) that ETP emphasized training workshop for entrepreneurial activities, which are established by government agencies and business support organizations. Through the training workshop, the entrepreneurs can enrich their business development, entrepreneurship, and management skills. Nikandrou (2009) agreed that the significant for training entrepreneurs is to impart, deliver, and enhance vital skills to enable specific organization to attain their targets. This could be done through enhancing and developing their workers' skills as well as competitive advantage through adding value to their essential resources.

Yaacob et al. (2016) further mentioned that specifically in Malaysia, ETP has been long known to enhance entrepreneurship among Bumiputeras (sons of the soil) who have been lagging in economy since its independence. ETP has been offered by Majlis Amanah Rakyat (MARA) to prepare the entrepreneurs with knowledge, skills and entrepreneurial traits which are essential to become effective and competitive entrepreneurs (MARA, 2015). Azam Roomi et al. (2009) agreed that entrepreneurship skills are the essence of effective management of microenterprises. Various government agencies, private and non-governmental agencies have been organizing ETP. ETP organized cover courses, training, seminars, and workshops, where entrepreneurs are imparted with input essential for business exposure, knowledge, and entrepreneurship skills (Yaacob et al, 2016). Yaacob et al. (2016) stated that ETP would result in positive outcome, in which the participants would possess the ability to ensure enterprises' sustainability. Even though various ETP



has been prepared, the outcomes through the empirical studies of the effectiveness determinants of those programs are still lagging.

For training, it is imperative to ensure that the trainer possessed required skills so that the ETP performed is effective (Yaacob et al., 2016). Yaacob et. al (2016) cited Compeau (2002) who mentioned that there are six basic dimensions required in a trainer which includes knowledge, communication, course design, sympathy, training technique, and class management. This is because the trainer possesses a crucial role to deliver training (Compeau, 2002). Yaacob et al. (2016) described the effectiveness of ETP is contributed through various learning approaches. They quoted Milhem (2014) whom mentioned that there are various training methods for entrepreneurs which includes, team training, mentoring approach, seminars, field trips, tour, and e-learning. In contrast, Milhem (2014) also mentioned that for rural entrepreneurs, he found that team training, mentoring approach, and seminars are suitable as most of them possessed lower level of knowledge in utilizing high technology such as e-learning. He further explained that those methods are useful in allowing participants to solve problems and being provided a realistic opportunity to deliver feedback solutions.

As discussed in the sub-section, training is found to be crucial element influencing business performance. Therefore, present study is interested in examining training in terms of two dimensions involved which are skill acquisition and business management.

## **2.6 Training and Business Performance**

Entrepreneurs acquire knowledge, skills, abilities and the entrepreneurial opportunity through training, which lead to business performance (Kuzulwa, 2005; Kickul et al, 2007). A research conducted in Malaysia found that both education and training have positive impacts on microenterprises' performance (Alom et al., 2016). Level of education and training facilities determine enterprises' performances (Alom et al., 2016). Entrepreneurship training has been identified as an important determinant of entrepreneurial performance and success (Selvarajah et al., 2017). From the review of 30 published and unpublished studies, Glaub and Frese (2011) concluded that entrepreneurial performance is positively impacted by entrepreneurship training programs. A research conducted in Malaysia for SME revealed that government assistance in training and extension services such as entrepreneurship courses, marketing, quality management, technical skills, basic accounting, advisory services, business information, technical knowledge and skills, moral support and awards/ recognition determine SME success (Kader, Azid, & Che, 2009). Several past studies have shown that entrepreneurs who are involved in training programs produced positive effect on business performance (Garcia, 2005; Aragon-Sanchez et. al, 2003; Zinger et.al, 2001). A research conducted in Nigeria found that trained entrepreneurs would produce higher enterprise performances and therefore, the research deduced that training is required to attain high business performances in Nigeria (Okpara, 2011). Similarly, Ogulande et al. (2014) found that training influences the effectiveness of micro, small, and medium enterprises which produced profound effect on their performances. Another empirical research conducted by Al Mamun and Ekpe (2016) resulted in the positive relationship between training and

microenterprises performance. Referring to Yaacob and Azmi (2016), knowledge acquired via training evidently decreases business failure, enhance business productivity (Garcia, 2005; Bruwer and Haydam, 1996), increase business competitiveness (Webster et.al, 2005) and therefore delivers positive impact on business performance (Webster et al., 2005; Simpson et.al, 2004).

Hence, from the literature review which had been discussed above, a hypothesis can be developed for training and business performance.

H2: There is a significant relationship between training and business performance

## **2.7 Social Capital**

It is hard to define social capital using one single definition which everyone could be agreed upon. Social capital has various definition from different disciplines and area of studies. However, as suggested by Charles et.al, (2007), the notion of trust clearly reflected the common point of social capital concept. Early 1916, Lyda Hanifan refers to social capital as “the tangible substances count for most in the daily lives of a people, namely, goodwill, fellowship, mutual sympathy and social intercourse among a group of individuals and families who make up a social unit, the rural community, whose logical center is the school (Hanifan., 1916, pp. 130). She described the relationship and interaction existed among individuals within the community through good faith. Abul Hassan (2014) explained social capital as a concept frequently interpreted as the network situated in different economic sectors between sets of agents. He further described

networking establishes the ground rules for the transparent functioning of development interventions and developing trust and coordinating action. Hassan (2006) clarified that networking promotes novel interactions between agents and assists to solve arising problems such as free-riding and bottleneck of networking. Similarly, Abul Hassan (2014) described social capital as a vital role in facilitating adoption as well as overcoming the financial, human, and natural capital constraints. This is due to the collective action provided through social capital which acts as the means in benefitting from agricultural innovations, generating economic and human capital, and establishing a sustainable development process (Abul hassan, 2014).

According to Coleman (1988), social capital is a concept embedded in the structure of relations that depicts in what way the group could serve as a resource for the members of the group's social structure (Coleman, 1988). This notion is emphasized in a standard economy system through the position of strong personal relationships and networks of relationships (Adwin et. al, 2016). This is also supported by Brehm and Rahn (1997, p.14) as mentioned by Abul Hassan (2014), where social capital is the enabled collective action resulting from relationships web between citizens. The concept of social capital is consistent with its role to support entrepreneurship activities (Charles et. al, 2007). Abul hassan (2014), referred to Elaine and Barton (1998), whom described social intermediation as a financial intermediation with a capacity building component with a goal targeted to the segments of society which are lack of savings and credit access. During the condition of uncertainty, social capital could be used to reduce transaction and control costs in a practical system (Charles et. al, 2007).

One of the propositions stated by Glaeser, Laibson and Sacerdote (2000) is that the importance of social capital for small entrepreneurs. MSEs received major supports from their personal and business networks in terms of information, moral support, and infrastructure (Hussain, Farooq, & Akhtar, 2012). In this case, entrepreneurial networking extended towards assisting the firms to grasp the opportunities and normalize threats (Hussain, Farooq, & Akhtar, 2012).

A research conducted by Norliya Ahmad Kassim (2010) revealed that the respondents get business information through social capital. The information is obtained through talking to other entrepreneurs, sharing their experiences, discussing with friends/relatives, and getting feedback/surveys from clients (Ahmad Kassim, 2010). According to Asad et al. (2016), there are two broad types of entrepreneurial network which are personal network and business network. They explained that personal network involves friends, family relatives etc. while suppliers, buyers, competitors, government etc. are the examples for business network. They further discussed that moral support (Stam, Arzlanian, & Elfring, 2014), infrastructure facility (Stuetzer, Obschonka, Brixy, Stenberg, & Cantner, 2014), and information resources (Prashantham & Dhanaraj, 2010) are identified as the vital form of supports which entrepreneurs could receive from their network (Asad et al., 2016). COMPAS Inc, (2001) have conducted a survey which revealed that entrepreneurs would be looking to information from their clients, suppliers and colleagues, which is often considered as the most valuable.

Small business founders should focus on creating stronger ties and relationships with all the prospective stakeholders in their business (Glaeser, Laibson and Sacerdote, 2000). This is due to the higher expected benefits coming from practicing social skills in the tasks of business founders (Glaeser, Laibson and Sacerdote, 2000). The expected benefits could be supported by Ostgaard and Birley (1994) as they stated that the social connection of entrepreneurs provide access for resources which are not possessed internally.

During the initial stage of new venture (Hite, 2005; Asad et al., 2016), empirical studies have shown that personal entrepreneurial networks are heavily important. A research has found that entrepreneurs would be spending 40% of their time to develop and maintain their contacts (Dodd, 1997). Johannisson (1996) argued that entrepreneurs should center their focus on building personal networks to overcome the liabilities of newness in the market. As the business grow, the networks would get enlarged (Asad et al., 2016).

Besides, the notion of trust is put into the concept of social capital. Adler and Kwon (2002), describes the relationship with other agents or individuals is strengthen with trust. In entrepreneurial activities, social capital is important as it is a socio-economic process which relies on the social context and circumstances from two perspectives (Nasip et al., 2017). The perspectives are first, entrepreneurs are products of their social environment and secondly, since entrepreneurship is a social activity, the insufficient social connections would impact the nature of businesses (Anderson and Miller, 2003).

From the Islamic perspectives, Abul Hassan (2014) stated that Islam put extra attention on responsibilities than on rights. He argued that if duties (linking to justice and trusteeship) are fulfilled by everyone, thus self-interest is automatically held within bounds where the rights of all are unquestionably protected. In Islam, cooperation and assistance are attained through the natural effect of universal brotherhood concept (Abul Hassan, 2014). The concept is quoted from the *Al-Quran*:

O mankind! We created you from a male and a female and made you into nations and tribes that you may know each other. Verily, the most honored of you before God is the most righteous of you, surely God is knowing, aware (Al-Quran 49:13)

Abul Hassan (2014) mentioned that the form of economic justice is imperative. This is because it is an important part of the concept of brotherhood and equal treatment of all individuals within the society. Thus, the Islamic social capital is explained as the networking which assist to create the linkages to motivate people to follow up the Islamic conventions and norms governing the development process.

Islamic social capital is aimed at creating universal brotherhood community as well as the social economic justice (Abul Hassan, 2014). He explained that the concept of Islamic Microfinance is to encourage the smooth process of loan payback, borrowers would form peer groups which provided support and removed the repayment pressure. The payments were usually being made small yet frequent to assist the process. Even though the borrowers do not possess physical capital as collateral, yet they do have social collateral

(Abul Hassan, 2014). Through this network of trust and brotherhood obtained from existing social capital, the peer group technique assists to ensure repayments of the interest free loan according to the agreed percentage of profit sharing.

This concept is applicable in the micro credit services offered by Tekun Nasional in Malaysia. For instance, Teman Tekun and Teman Nita are the services which utilized the network of trust and group membership to enhance the repayment efficiency (TEKUN, 2018). For Teman Tekun, the peer group consists of five members (men and women) whom can be trusted. They are required to meet frequently and pay back the loan at lower rate weekly. Similarly, Teman Nita applied the same concept except that it is exclusively for women (TEKUN, 2018). Abul Hassan (2014) also mentioned that this concept, where the physical collateral has been replaced with the social collateral in the provision of interest free loans is an innovative idea in the Islamic banking. This novel concept has been adapted in the informal Islamic microfinance program such as TEMAN TEKUN (TEKUN, 2018). The group borrowing system is found to be strengthening the positive incentives in poverty alleviation where mutual guarantees among members is based in the strong Islamic cooperative behavior. Abul Hassan (2014), argued that this concept is not limited to the group lending techniques, but also extend to forming Islamic social capital.

The benefits of social capital could be seen through the Islamic study circles, meetings and other services. This statement is also supported by Choudhury (2002), where the process of the peer group technique as part of *shuratic* (consultative) process and *ummic*



(community) desire of working together for the holistic development of Islamic society. Through the social relationships, linkage, and networking, the poor segments within society can collaborate, share both resources and risks, and act collectively (Abul hassan, 2014). He then argued that the production of social capital coming from the group-based Islamic microfinance program is the least explored area. He concluded that the Islamic social capital consists of horizontal and vertical linkages. The horizontal linkages are perceived as the positive social networks contributing towards community productivity.

The present study emphasized the idea that social capital serves as medium whereby micro and small entrepreneurs would accomplish better business performances and enhanced their relationship within their networks to produce greater outcome. In the present study, social capital will be measured from two dimensions which are networking and relationship strength.

## **2.8 Social Capital and Business Performance**

Allen et. al, (2008) detailed that the opportunity for entrepreneurial activity is created by social capital networks which leads to performance. Previous literature has revealed that entrepreneurial networking provides social capital which assists in positively influencing MSEs performance (Allen, 2000). According to Aftab and Naveed (2013), MSEs performance is significantly influenced by entrepreneurial networking. Through entrepreneurial networking, businesses performance is enhanced (Durrani, Usman, Malik, & Ahmad, 2011). Social and human capital is found to have positive impact with enterprise

performance (Adwin et. al, 2016). According to Mausumi and Sharmistha, the social capital impact is higher on the firm performance which involved in both formal and informal networking (Mausumi and Sharmistha, 2016).

Niels et. al (2002) also found that social capital appears to influence the business performance. Through this research, it is found that contact made with other entrepreneurs bring positive impact to the business (Niels et.al, 2012). For instance, the spouse's emotional form of support is vital in enhancing 40% earnings compared to the ones without support (Niels et. al, 2002). Essential resources, support, information, and knowledge could be exchanged through social capital network (Mausumi & Sharmistha, 2015). The study in West Coast of Sabah revealed that social capital such as structural, relational and cognitive did significantly influence the performance of entrepreneurs (Nasip et al., 2017). The sense of trust through sharing ideas, visions, and experiences among the individuals within the networks strengthen the social ties. Certain valuable information is restricted for MSE. This network serves as a helpful tool for MSE to improve their business performance.

Therefore, from the literature review which had been explained on social capital and business performance, a hypothesis can be established as below:

H3: There is a significant relationship between social capital and business performance of microentrepreneurs.

## 2.9 Religiosity

Doyle (1992) defined religiosity as the practices carried out by those who profess to a faith. Another definition of religiosity provided by Rulindo and Mardhatillah (2011) is attitude which is peculiar to consciousness, which has been altered by the experience of numinous. In contrast, Rahner & Vorgrimler (1981) viewed religiosity in terms of metaphysical, which relates to the ground and purpose of the world people called as God. Brandt (1996) distinguished the terms spirituality and religiosity. He specified that religiosity usually related to discussions surrounded by belief systems and extended to personal, familial, and work-related commitments.

Meanwhile, spirituality is perceived as a broader concept of developing individual. Rulindo and Mardhatillah (2011) described religiosity as the actions carried out by an individual who belief in the religious rules and traditions. According to Yaacob and Azmi (2016), in the Eastern part of the world, ethics is often related to religious values. They further discussed the religious values as the personal attributes possessed by Muslim entrepreneurs according to the Muslim holy references such as the Qur'an and the Hadith. In accordance to Islamic teachings, entrepreneur who strictly obeys and observes the rules and principles outlined by the religion during conducting business, would be regarded as succeeding in this world and the hereafter.

Fatimah-Salwa et al. (2013) have suggested that religious factors act as the strongest factor which affect and shape individuals' morale (Chusmir & Koberg, 1988; Scheepers & Frans

1998). Hence, individual ethical level is heavily influenced by religiosity (Fatimah-Salwa et al., 2013).

Previous researchers defined as the reflection of one's religious world-view in good deeds. Islamic teachings and the existence of God has stimulated an individual acclimatizes to various situations (Krauss, Hamzah, & Idris, 2007; Tahir & Abdul, 2013). From the Islamic point of view, the integration of financial inclusion and spiritual development are crucial (Rashidah and Faisal, 2013). Spiritual development could be done through internalizing moral values in the consciousness of entrepreneurs. Through spiritual development, it is hopeful that moral values such as diligence, honesty, patience, piety, and social responsibilities could transform immoral conducts to good behaviors (Rashidah and Faisal, 2013).

A mixture of relationship of religious orientation with various behaviors has been discovered in previous empirical studies (Tahir & Abdul, 2013). A research conducted on the relationship of cognitive motivation and religious orientation among 527 undergraduate students shown that cognitive motivation is significantly related to religious orientation (Barrett, Patock-Peckham, Hutchinson & Nagoshi, 2005). Meanwhile, Brammer, Williams, & Zinkin (2007) conducted a study on behavioral attitude. They found that the relationship between religious orientation and attitude towards corporate social responsibility are significantly related.

Tahir and Abdul (2013) emphasized the importance of religious orientation possessed by the entrepreneurs. This is because since all religions promotes good behavior, and the good behavior is essential in maintaining good relationship with the stakeholders. Individual would act and behave in consistent with their beliefs, which corresponds with the statement that religions does influence individual behaviors and values (Kamarudin et al., 2013).

According to Galbraith and Galbraith (2007), religiosity possessed relationship with economic growth. They further added direct relationship existed between religious attitudes with economic growth and entrepreneurial activity. On the other hand, Ismail et al. (2004) revealed that religiosity contributes towards people in their career stages. Meanwhile, Noland (2005), argued that economic performance at all level can be affected by religious activity. Likewise, Galbraith and Galbraith (2007) conducted an empirical research which revealed that countries with a higher percentage of religious individuals perform better than countries which possessed lower percentage of religious individuals. Religiosity have been proved to enrich other economic measures for instance, education, self-esteem, family unity, and life-expectancy, which in returns result in economic expansion (McCleary & Barro, 2006).

Fatimah-Salwa et al. (2013) also includes that the entrepreneurs' performance has high potential to be stimulated by the entrepreneurs' personal religious values. Thus, entrepreneurs who internalized and hold on to their religious belief and commitment will demonstrate good values in their business activities (Kamarudin et al., 2013). In

correspondence with Islamic view, Rulindo and Mardhatillah (2011) contend that the act of worships such as prayers, fasting, and paying zakah would shape the values arise from Islamic teachings such as discipline, honesty, sincerity, and hard work within individuals. This explains why the respondents with higher religiosity level have higher income (Rulindo & Mardhatillah, 2011).

Fatimah-Salwa et al. (2013) referred to Imam al-Ghazali (1998), seven values which are identified as important for Muslim entrepreneurs. The first value is the intention of pursuing entrepreneurial activities, whereby the main objective must be intended to obtain Allah's pleasure; secondly, the activities conducted should be lawful, thirdly, goods and services produced should be intended to fulfill the *Fardu Kifayah* (fulfilling the Muslim society's needs) obligation, fourthly, to provide high priority and focus on religious obligation; fifthly, to satisfy the responsibilities for themselves and their family, where their family members must be taken care of even though they are advised to work hard; next, they are prohibited from tolerating with unlawful or non-transparent conducts, and the last one is to be discussing and performing self-assessment and reflection on themselves so that they would strive to become a better person.

Fatimah-Salwa et al. (2013) also mentioned that if religiosity elements are not present, other parties involved in the transactions might be potentially being harmed. In this case, the other parties involve includes customers, consumers, competitors, and others. Abdul Wahab (2018) quoted Imam al-Ghazali four dimensions of Islamic practices which are

practices (Ibadat), forgiveness (al-'afw), faith in Allah (faith), and remembering Allah (zikrullah). According to Fazl-Ul-Karim (1993) and Naail et al. (2014) the individuals whom are practicing the Islamic practices would feel the blessings in their daily activities, which would result in their success in this world and the hereafter.

An individual whom are practicing and internalizing Islamic practices would be making an effort to pay their debt on time. This in accordance with the Muslim's belief and conviction in which not paying debt will lead towards detrimental consequences. As reported by Tirmidhi, Prophet Muhammad S.A.W.(peace be upon him) stated that *"whoever dies from free from three things; arrogance, cheating and debt will enter paradise and the soul of a believer is held hostage by his debt in his grave until it is paid off"*. Correspondingly, debt is permissible by Islamic practices within reasonable limits.

However, it is imperative to be responsible in managing debt by paying it back when it is due within the individual's means. There are multiple *hadiths* which emphasized the importance of paying debts and managing them responsibly. As reported by Muslim, the Prophet Muhammad S.A.W. (peace be upon him) said, *"the best among you are those best in paying off debt"*. Another *hadith* reported by Bukhari mentioned that *"procrastination (delay) in repaying debts by a wealthy person is injustice"*. Hence, practicing Muslim would be making effort to settle their debts on time as they belief that it is imperative to do so. Their beliefs would be reflected on their actions and practices.

Therefore, present study would like to examine religiosity using the dimension of act of worship, forgiveness, faith, and the remembrance of God.

## **2.10 Religiosity and Business Performance**

Researchers have found that growth and performance of small businesses is heavily influenced by the personality characteristics of the owner-manager or principal decision maker (Lumpkin and Dess, 1996; O'Farrell and Hitchen, 1988, Storey 1994; Guo, 2001). For small businesses, the firms are owned and operated independently by its owners, since they lack separation of ownership and control (Guo, 2001; Greenbank, 2001). These refers to where the owner-manager is aiming to maximize profit, which is closely matched to the neo-classical theory of entrepreneur (Koutsoyiannis, 1979; Greenbank, 2001).

According to Guo (2001), the owner-manager could be defined as an individual who makes all key management decisions for small business and possessed significant equity capital at risk in the business. Guo (2001) mentioned that for small businesses, studies have revealed that owner-manager's personality, which includes cognitive and motivational orientations, locus of control, ambiguity tolerance, propensity for risk, the need for achievement, and others would eventually shape the organizations and their performance. Therefore, even though religiosity values are associated to the individuals' personal practices, the characteristics of the owner- manager have proved that for small businesses, personality characteristics does shape and influence the business performance.



In Malaysia, particularly, there are insufficient research conducted in exploring the possible associations between religious values and entrepreneurs' performance. For instance, according to a research conducted among TEKUN borrowers in Peninsular Malaysia, the results have stated that borrowers who possess formal religious education would be more accountable to pay back the loan (Nawai & Shariff, 2011). From the preliminary study investigated using Pearson product-moment correlation coefficient, it was found that religious orientation variable had a positive impact on the business performance of men and women-owned firms. This is since all religions expected the elements of honesty, trust, discipline and respect time punctuality (Tahir & Abdul, 2013).

Various studies conducted proved that religious orientation and economic performance have significant relationship (Barro & McCleary, 2003; Noland, 2005; Tu, Bulte, & Tan, 2011). Correspondingly, a research conducted by Rulindo and Mardhatillah (2011) found that to increase the performance of micro entrepreneurs, religiosity played significant role. They further added religiosity is perceived as the materials of capacity building provided to entrepreneurs to help enhancing business performance and alleviating poverty.

The relationship between religious orientation and economic growth have been demonstrated by other researchers as well (Galbraith & Galbraith 2007; Nwankwo, Gbadamosio & Ojo, 2012). A research conducted in Malaysia shown a statistical results which confirmed religious faith and liberalism have a different impact on entrepreneurs; values, strategy and business performance (Kamarudin et al., 2013). The findings derived

from research disclosed the significant relationships between religious faith to that of entrepreneurial values and business performance (Kamarudin et al., 2013). According to Yaacob and Azmi (2016), religious values strongly affected MSE's performance. This is guided by the premise that entrepreneur who observe and obey the Islamic rules and principle while running the business would succeed in this world and the hereafter. Hence, multiple studies have been conducted and it is revealed that there is a positive relationship between religious values and business performance (Rohaizat and Suzilawati, 2001; Yousef, 2000; Gupta and Sulaiman, 1996).

Therefore, from the literature review which had been discussed above, a hypothesis could be developed for religiosity as an independent variable as below:

H4: There is a significant relationship between religious value and business performance of MSE.

### **2.11 Microfinance Factors and Religiosity Influencing MSEs' Business Performance**

Credit access, is identified as an essential tool to assist entrepreneurs in initiating and expanding their businesses (Yaacob & Azmi, 2016; Ekpe, 2011). According to Al Mamun (2016), microenterprise performance is heavily influenced by credit access. Similarly, another research conducted by Yaacob and Azmi (2016) found that business capital affected the achievement of entrepreneurs. Alom et al. (2016) emphasized the importance of accessible source of fund and adequate secured funds in determining positive performance of businesses.

Training, is another important element in microfinance factors. Glaub and Frese (2011) concluded that from the review of 30 published and unpublished studies, entrepreneurship training has positively impacted entrepreneurial performance. Correspondingly, as mentioned by Selvarajah et al., (2017), entrepreneurship training is acknowledged as an important determinant for entrepreneurial performance and success. Several past studies have also shown that entrepreneurs who are involved in training programs produced positive effect on business performance (Garcia, 2005; Aragon-Sanchez et al., 2003; Zinger et al., 2001).

Social capital is defined by Coleman (1988) as a concept embedded in the structure of relations which depicts in what way the group could serve as a resource for the members of the group's social structure. Glaeser, Laibson, and Sacerdote (2000), emphasized the importance of social capital for small entrepreneurs. Social capital is imperative in creating and expanding opportunity for entrepreneurial activity which leading towards performance (Allen et al., 2008). These statements correspond with the findings from Mausumi and Sharmistha (2016), which stated that social capital impact is higher on the firm performance. Similarly, Aftab and Naveed (2013), emphasized that entrepreneurial networking has significantly improvised MSEs' performance.

Religiosity is defined as the practices carried out by those who profess to a faith (Doyle, 1992). Tahir and Abdul (2013) found that religious orientation variable had a positive

impact on the business performance of men and women-owned firms. Similarly, Yaacob and Azmi (2016) revealed that religious values strongly affected MSEs' performance. This is guided by the premise that entrepreneur whom observe and obey Islamic rules and principles while running their businesses would succeed in this world and the hereafter. Several past studies also found that there is a significant relationship between religious values and business performance (Rohaizat & Suzilawati, 2001; Yousef, 2000; Gupta and Sulaiman, 1996).

Based on the above discussions on previous literatures and findings on the influence of microfinance factors and religiosity on MSEs' business performance, the hypothesis for this study could be described as follows:

H5a: There is a significant influence of credit access on MSEs' business performance.

H5b: There is a significant influence of training on MSE's business performance.

H5c: There is a significant influence of social capital on MSEs' business performance.

H5d: There is a significant influence of religiosity and MSEs' business performance.

## **2.12 Underpinning Theory**

In determining the factors influencing the business performance of micro and small entrepreneurs (MSEs), under Tekun Nasional, the resource-based view (RBV) theory is adopted. Resource-Based View (RBV) theory focuses on the internal firm-specific factors as vital for firm performance (Barney, 1986). RBV theory contends that the unique set of resources would generate competitive advantage for the firm (Wernerfelt, 1984;

Barney, 1991; Peteraf 1993; Runyan, Huddleston, & Swinney, 2007). The existence of organization's resources such as valuable, rare, inimitable and non-substitutable by rivalry primarily described the performance differences (Barney, 2001). To attain performance, specifically in the situation where there is the presence of resource shortage, for instance in MSEs, resource-based view is a broadly used element (Bradley, Wiklund, & Shepherd, 2011).

The early work of Penrose (1959) stressed the importance of resources in increasing performances. Correspondingly, Wernerfelt (1984) mentioned that resources are vital antecedents to products which consequently lead to performance. Resource-based theorists (eg. Barney 1991; Grant 1991; and Peteraf 1993) agreed that the assets and resources owned by firms could explain performance differences (Saffu & Manu, 2004). Therefore, it is beneficial to describe the definition of resource before addressing the small business resource criteria. Mohamad Radzi, Mohd Nor, & Mohezar Ali (2017) referring to Galbreath (2005) identify that tangible and intangible assets owned by a firm as resource.

Mohamad Radzi, Mohd Nor, & Mohezar Ali (2017) further outlined the examples for tangible and intangible assets. Financial resources, physical resources (plant, equipment, machine, etc.), human resources, and technological resources are the examples of tangible assets. Knowledge, skills, reputation, and capabilities are the examples of intangible assets. Small businesses could become unique to each other in terms of product or service differentiation since the levels of control over the variety of resources are implemented at

different levels. The high human capital competency aligned with the skills represented and required would lead towards the positive performance for the business organization (Crook, Tood, Combs, Woehr, & Ketchen, 2011; Mohamad Radzi et al., 2017).

Balgobin (2003) described that firm resources could be viewed from another type of classification which are discrete and systematic. He further explained that discrete firm resources possessed value within or outside the firm. In contrast, systematic firm resources refer to the context within which they operate. Meanwhile, Barney (1991) emphasized that firm resources consists of physical, human, and organizational resources. He then classified physical resources as tangible resources whereas human and organizational resources are parts of intangible resources. Entrepreneurs could benefit from strategically utilizing the resources as classified by Barney (1991), in which all assets, capabilities (training), savings resources, motivation, information, knowledge, etc.

Consequently, RBV theory serves as a foundation for microfinance factors (credit access, training, social capital) and religiosity resulting in business performance. Credit access is the tangible resources which provide competitive advantage to the business. This is because it could be leveraged to initiate and expand their operations, create new products, and investing in new workers or for production facilities as stated by Makundi (2016). Thus, this would provide competitive advantage for survival of the businesses.

According to Hammawa (2018), training possessed the possibility of generating a sustainable competitive advantage due to its characteristics which is valuable, rare, inimitable, and non-substitutable type of resources. Correspondingly, referring to RBV theory, training results in better performance and establish competitive advantage (Haan, 2006; Talaja, 2012; Parker, Parsons, & Isharyanto, 2015). Social capital is seen as the intangible resources which is valuable, rare, inimitable, and non-substitutable. This corresponds to the research conducted which revealed that entrepreneurial networking extended towards assisting the firms to grasp the opportunities and normalize threats (Hussain, Farooq, & Akhtar, 2012). Besides, the social capital network does provide entrepreneurs with opportunity for entrepreneurial activity which later results in achieving better performance (Allen et al., 2008).

Religiosity is referred to as the practices carried out by those who profess to a faith (Doyle, 1992). From MSEs' perspectives, the owner is assumed as the manager, whom the individual directly responsible for developing and crafting the strategy of the enterprise, hence, the owner-manager theory is applicable in the present study. The individual's personal practices do influence the performance of micro and small businesses. Religiosity is an intangible form of resources which satisfy the RBV characteristics which are valuable, rare, inimitable, and non-substitutable which later provide competitive advantage to the firm. Hence, this will possess a relationship with the performance of the MSEs. RBV theory contends that businesses would compete using their resource capabilities (Peteraf & Bergen, 2013). In present study, microfinance factors and religiosity are the resource capabilities of MSEs, in which proper utilization would provide competitive advantage.

Therefore, the relationship of microfinance factors and religiosity influencing business performance are suitable to be studied and examined in the present study using RBV theory.

Additionally, RBV theory is relevant for the small business context due to the notion which indicates that the firms' distinctive offerings affected the long-term continuation and survival for the business (Mohamad Radzi et al., 2017). The uniqueness characteristics could be developed over time through the act of nurturing the core competencies of the organizations (Mohamad Radzi et al., 2017). RBV views is identified as easy to interpret from small business perspectives. This is due to the close relationship with the internal resources and capabilities. Provided that the resource-based view addresses that the underlying factors for performance are the resources and capabilities, this theory is relevant and suitable to be used in this study.

### **2.13 Research Framework**

According to the literature revised and suggestions by several studies, this present study has established a framework of microfinance factors and religiosity on business performances. Figure 1 shows the theoretical framework for this study. Following the resource-based view theory, we hypothesize that microfinance factors (credit accessibility, training, and social capital) as well as religiosity values influence the entrepreneurs' business performance. This framework consists of four independent variables, which are



credit access, training, social capital and religiosity and entrepreneurs' business performance as the dependent variable.

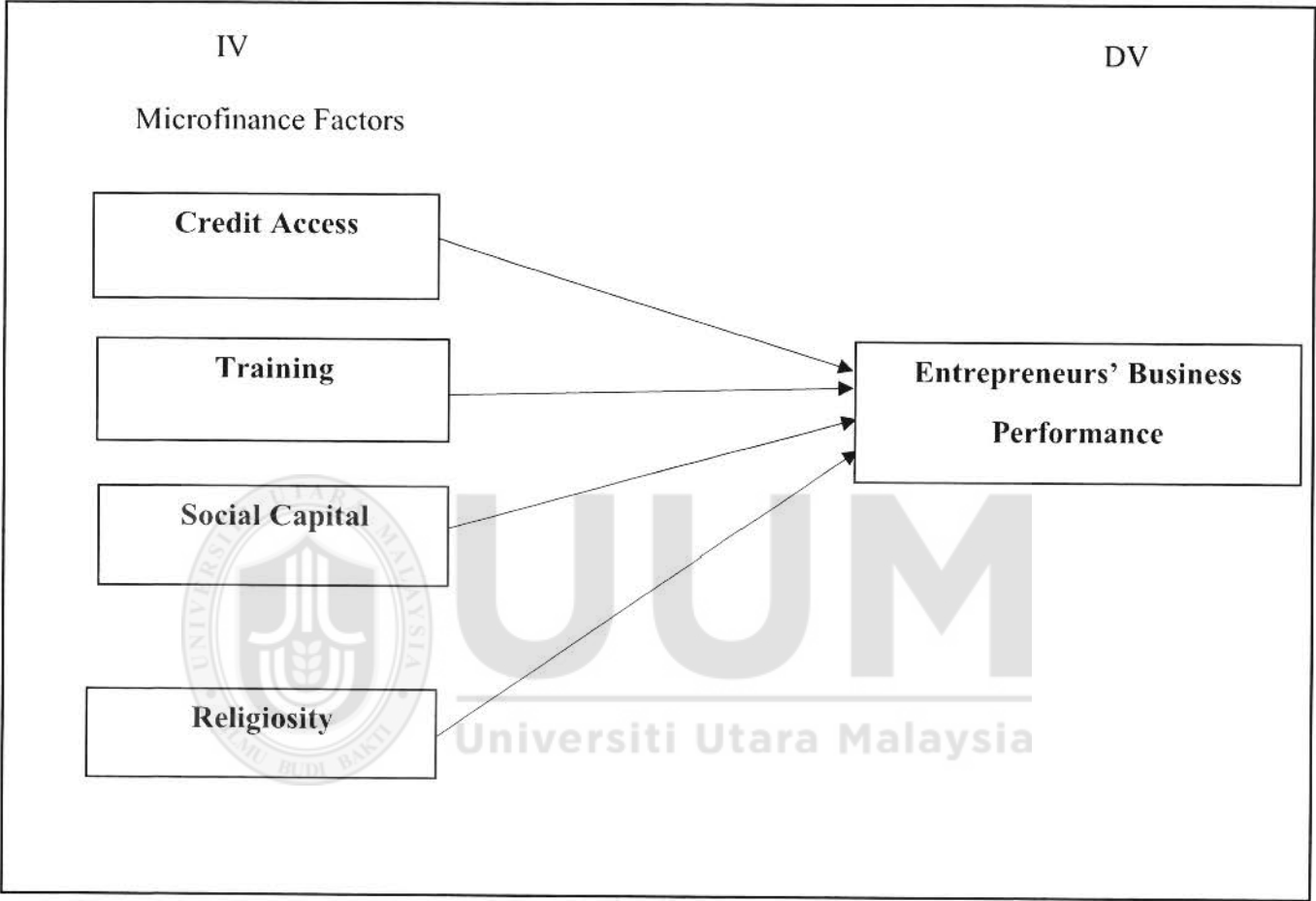


Figure 2.1 *Research Framework*

Kumar (2005) contended that business performance can be determined using credit access. Therefore, according to previous studies, credit access is used as independent variable to initiate women entrepreneurs' activities and boost their standard of living (Ekpe, 2011). However, the present study is examining both the men and women entrepreneurs who are involved in micro and small businesses in Malaysia.

Furthermore, Ekpe (2011) stated that training is classified as business resources since it can have an impact on the relationship between financial resources and business performance. Nasip et al. (2017) have identified training as one of the challenges faced by entrepreneurs in Malaysia which hamper their business performances. Hence, businesses can establish sustainable competitive advantage through creating value in a manner that is rare and different for competitors to imitate (Barney, 1986).

Corresponding to the literature review, social capital and religiosity are essential non-financial resources in attaining business performance. These essential valuable and rare resources have been utilized in numerous studies to examine business performance (Barney 1991; Fatoki 2012). Henceforth, in this study, social capital and religiosity are employed as independent variables which elucidated how these intangible resources realize competitive advantage. Competitive advantage is attained through strong connections within the internal and external networks and practicing religious values that shape moral values in which the immoral conducts is transformed to good behaviors (Ekpe 2011; Rashidah and Faisal 2013).

## **2.14 Chapter Summary**

In this chapter, both theoretical and the past empirical studies have been critically reviewed. The first section provided the overview of conceptual development of business performance, microfinance factors (credit access, training, social capital) and religiosity. Meanwhile, the second section explained the underpinning theory and several past studies

on the relationship between credit access, training, social capital, religiosity and business performances. In this chapter, the present study developed research framework portraying the relationships derived from the underpinning theory of Resource Based View (RBV). Next chapter would describe and discuss the methods that guide this present study.



## CHAPTER 3

### METHODOLOGY

#### 3.0 Introduction

This chapter presents the research design and methodology used in this study. The methodological approach highlights the important aspects used for information collection, dependability test, and scope of the people and data sampling undertaken during the period of this study. Unit of analysis and data collection procedure are thoroughly explained in this chapter. Besides, this chapter also provides validation of instrument, data collection and administration, data analysis technique and end conclusion of the chapter.

#### 3.1 Research Design

According to Sekaran and Bougie (2013), research design is a procedure of collecting and analyzing data. The aim of research design is to plan and structure the investigation to get the answers for research questions. Therefore, it is imperative for researchers to properly design the plan to obtain the relevant types of information pertaining to the research. The relationship between variables is identified. It also acts as a blueprint to outline the procedures from the hypotheses to data analysis.

This study utilized quantitative research method. Quantitative design is a systematical empirical approach to investigate social phenomena which used statistical or mathematical based methods that allow to test the relationship between the research variables (Given,

2008; Kreuger & Neuman, 2006). Burns and Grove (1993) provided the definition of quantitative research method as a proper, independent, and planned process to define and investigate relationships as well as studying the cause and effect relationship among variables. The characteristics of quantitative research includes explaining and describing data using predefined validated instruments in the natural surroundings of the organization, without any validation by the researchers (Leedy & Ornrod, 2010). For this study, the quantitative methodology is a vital method to assist in evaluating and verifying theories, determining variables for upcoming research and connecting variables raised by the theory or hypothesis. According to Creswell (2014), the standard tests of validity and reliability and statistical procedures are utilized by quantitative method. There is difference which exist between qualitative and quantitative research. Quantitative research is traditionally based on a pre-specified method while qualitative research is recursive which the results could be unclear (Willis, 2007). Henceforth, the present study utilized the quantitative research method from the survey method since this method allows for the utilization of statistical methods to validate the relationship between variables.

Descriptive study is accepted to ascertain and describe the characteristics of the variables of interest in a situation (Sekaran & Bougie, 2012). Descriptive study offers researcher to describe relevant aspects of the phenomena of interest from an individual, organization, and industry-oriented. Leedy and Ornrod (2010) stated that descriptive approach would decrease the possibility or researcher bias when compared to qualitative. This is because quantitative research is more formulaic and refers to the hypotheses and variables. This

method is suitable and relevant for this study as the methods utilized are data collection procedure which are structured and proper statistical data analysis method.

Quantitative research design is used in this study as it is more suitable since it allowed the testing of relationship between variables using statistical methods. This corresponds with the primary objective of this study to examine the effects of microfinance factors (credit access, savings, social capital, and training) on MSEs business performance. Besides, previous research Ekpe (2011) and Hammawa (2018) conducted research pertaining to microfinance factors also utilized the quantitative research method. The data obtained through this research is more reliable and relevant.

### **3.2 Population of the Study**

Population denotes a group of potential respondents who would be answering the questionnaires used by researcher in analyzing the study's outcome. Population is defined by Sekaran and Bougie (2013) as the study of investigating the entire group of people, events, or things of interest. The targeted population for this study was drawn from the total of MSEs who borrows from Tekun Nasional in Kedah. The targeted populations in Tekun Nasional are 1399 MSEs. However, sampling was needed as the size of the MSEs populations in Tekun Nasional is large and it is impossible to include all its elements in this study. This corresponds with Asika (2008) whom explained that sampling is necessary in case which the population of interest is vast and result in difficulties to cover all of them.

### 3.3 Sample and Sampling Size

One of the most important parameters in conducting research is sample size. The sample size is used to estimate the number of participants for data collection at the organization. Sampling is the selection process of a representative subset of a population to determine the characteristics and behaviors about the entire population (Cooper & Schindler, 2011; Hage, 2013). Samples is used by researchers to get conclusions about the population without the need to examine the whole targeted population. The actual population of survey participants from which a random sample was taken is the element of sampling frame (Cozby, 2009; Hage, 2013). The convenient sampling technique is used in this study. The targeted population in this study is 1399 MSEs. With the reference to Krejcie and Morgan (1970) table, the sample size needed is. 302 MSEs.

Table for Determining Sample Size of a Known Population									
N	S	N	S	N	S	N	S	N	S
10	10	100	87	290	162	800	260	2800	338
15	14	110	88	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	346
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	354
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	191	1200	291	6000	361
45	40	170	118	400	196	1300	297	7000	364
50	44	180	123	420	201	1400	302	8000	367
55	48	190	127	440	205	1500	306	9000	368
60	52	200	132	460	210	1600	310	10000	370
65	56	210	136	480	214	1700	313	15000	375
70	59	220	140	500	217	1800	317	20000	377
75	63	230	144	550	226	1900	320	30000	379
80	66	240	148	600	234	2000	322	40000	380
85	70	250	152	650	242	2200	327	50000	381
90	73	260	155	700	248	2400	331	75000	382
95	76	270	159	750	254	2600	335	100000	384

Note: N is Population Size; S is Sample Size

Source: Krejcie & Morgan, 1970

Figure 3.2 Krejcie and Morgan Table

Source: Krejcie and Morgan (1970)

3.4 Sampling Design

There are several common types of probability sampling which includes the simple random sampling, stratified random sampling, cluster sampling, systematic random sampling, and double sampling (Cooper & Schindler, 2011; Hage, 2013). This study incorporated the probability cluster sampling technique for the primary collection of data. This ensured that the MSEs in the population are fairly represented in the sample. The sample was clustered according to geographical zone based on the 15-parliamentary area in Kedah. The sample comprises of 5 clusters according to its territories, which are Northern I, Northern II, Central, Eastern and Southern. The cluster sampling according to geographical zone is chosen for present study as it would be efficient for large geographical population (Jackson, 2011). Cluster sampling can be used to represent the viewpoint of the whole area (Jackson, 2011). The results from cluster sampling would represent the primary data collected. The cluster is being randomly selected. Cluster 1, 3 and 5 are selected in this study.

Table 3.1 *Total Number of Loan Issued by Tekun Nasional Kedah Branch from January 2018 to August 2018 by Districts*

District	Number of Borrowers	Percentage (%)
1. Alor Setar	39	2.79
2. Baling	110	7.86
3. Jerai	55	3.93
4. Jerlun	67	4.79
5. Kuala Kedah	133	9.50
6. Kubang Pasu	140	10.0
7. Kulim-Bandar Baharu	61	4.36
8. Langkawi	146	10.40
9. Merbok	101	7.22
10. Padang Serai	214	15.30
11. Padang Terap	36	2.57
12. Pendang	73	5.22



13. Pokok Sena	52	3.72
14. Sik	103	7.36
15. Sungai Petani	69	4.93
<b>TOTAL</b>	<b>1399</b>	<b>100.00</b>

Source: Database from Tekun Nasional Kedah, 2018

Table 3.2 *Geographical Cluster Sampling of Tekun Nasional in Kedah*

<b>Territory</b>	<b>Parliamentary Areas</b>
Cluster 1: Northern I	Alor Setar, Jerlun, Pendang, Jerai, Kuala Kedah, Langkawi
Cluster 2: Northern II	Kubang Pasu, Pokok Sena, Padang Terap
Cluster 3: Central	Sungai Petani, Merbok
Cluster 4: Eastern	Baling, Sik
Cluster 5: Southern	Kulim-Bandar Baharu, Padang Serai

### 3.5 Unit of Analysis

This study focuses on recognizing the relationship between microfinance factors (credit accessibility, savings, social capital, and training) and religiosity with business performance among borrowers from a microfinance institution (MFI), Tekun Nasional. Therefore, the appropriate unit of analysis would be on the firm/business level, to examine the degree of resources and factors needed to attain good business performance. Since the study involves small businesses, the personality characteristics of owner-manager affected the growth and performance of small businesses (Lumpkin and Dess, 1996; O'Farrell and Hitchen, 1988, Storey 1994; Guo, 2001). According to the information needed by the researcher, the owners of the businesses would be the best candidates to obtain the needed data from.

### **3.6 Data Collection Procedure**

Data collection for this research primarily depends on a questionnaire which has been modified into bilingual, Malay and English languages. This is because in Malaysia, Malay language is the primary language of the country, which would provide more clarity towards the respondents to answer the surveys. The questionnaire is divided into seven sections, namely section A, B, C, D, and E. Section A indicates the demographic of the respondent. Section B for credit access; section C for training, section D for social capital, and section E for religiosity.

Questionnaire surveys are distributed using drop-off and pick-up methods (Allerd and Ross-Davis, 2011). The surveys are distributed through the Tekun officers acted as the 3<sup>rd</sup> party. The officers have agreed to assist in the process of distributing surveys. The surveys are distributed by dropping them off at the selected Tekun Nasional branch offices in Kedah. The officers then distributed the surveys to the respondents. The surveys are then picked-up at the selected branch offices. This method is chosen since the information regarding the borrowers are considered as private and confidential. Therefore, it is impossible for the researcher to distribute in-person due the sensitivity of the data. Sufficient time and flexibility are given to the respondents to fill the surveys at their own convenience. The time frame allocated for data collection process was four weeks. Demographic data such as gender, age, ethnic, origin is collected from the respondents.

The survey results are compiled from the hard copy into a single Microsoft Excel file then transformed to the IBM Statistical Package for Social Sciences (SPSS) data file for analysis.

### **3.7 Operational Definitions and Measurements**

In this study, the independent variables, which are microfinance factors, were represented by credit access, training, social capital, and religiosity. MSEs' business performance represented the dependent variables.

This study will be adopting Likert's interval scale of measurement. According to Hair et.al (2007), a scale measurement is measurement instrument, which emerges from the combined item collections into a composite score, "and intended to reveal levels of theoretical variables not readily observable by direct means". He also added that the Likert scale is a response format which are widely used. This is due to the scale ability to measure "opinions, beliefs and attitudes, and it helps respondent to have wide range of choice and avoiding misrepresentations (Hair et. al, 2007). Therefore, this study will be utilizing the structured questionnaire for research instrument data collection.

The tables below will be showing the measurement items adapted from various sources. The structure questionnaire uses a 5-point Likert scale made up of strongly disagree, disagree, neutral, agree, and strongly agree. Interval scales are continuous scales and are

called quantitative or metric scales. Interval scales means that the differences between the scale points are to be equal. This have facilitated the mathematical procedure to compute mean and standard deviation. The standardized questions in a clear manner is presented for statistical analysis. Plain English language is used while framing the questions. For the purpose of this study, the questions are then translated in Malay language to enhance the clarity of the questions for the respondents.

In this measurement, the items involved should be at least three questions. This is because to achieve the acceptable reliability in measuring a construct, Hair et. al (2007) suggested that a minimum of three questions will be required. The measurement of variables is provided on the tables below.

### **3.7.1 Measurement for MSEs' Business Performance**

Al Mamun and Ekpe (2016) provided the definition of performance as the capability of to reach the sales and maximizes the expected profit of enterprises in attaining targeted profit. In return, income can be generated, and the quality of lives would be enhanced. Similarly, in the present study, the MSEs business performance is operationally defined as the ability of the entrepreneurs to capitalize on net profit, increase output, and other non-financial indicators. Current research would be measuring performance in terms of two dimensions which are operational outcome (output, employment) and financial outcome (assets, profits, sales). Current research adapted the survey instruments from Ekpe (2011). Two

items were removed from the initial instruments as the items are irrelevant for the respondents in the present study.

Table 3.3 *Measurement for MSEs' Business Performance*

Variable	Dimensions	Scales	Items in Questionnaire
MSEs' Business Performance	Net profit, output, investment, employment	Likert Scale	<ol style="list-style-type: none"> <li>1. My income (net profit) has increased</li> <li>2. The number of items sold increased</li> <li>3. My savings account has improved</li> <li>4. My business and domestic expenses are easily settled</li> <li>5. My output has increased</li> <li>6. I have bought more stock/raw material</li> <li>7. Customers output demand are met (improved services)</li> <li>8. I have bought new machine/equipment</li> <li>9. The number of household employees increased</li> <li>10. I have a new part-time staff</li> </ol>

### 3.7.2 Measurement for Credit Access

According to Ekpe (2011), credit access can be referred to as the capacity of an individual or MSEs to obtain microfinance resources such as microcredit. Henceforth, the present study has adapted this definition and operationalized credit access as a chance of safeguarding microfinance facilities as credit capitals by MSEs without any hindrances. MSEs whom received credit would better able make good decisions for the benefits of their business which in return, enhance their business performances. Therefore, present study

adapted the measurements of credit access in terms of two dimensions which are loan size and use of loan (Kuzilwa, 2005; Lakwo, 2007; Martin, 1999; Peter 2001; Ekpe 2011). The original survey consisted of 8 items, however, the present study employed 7 items.

Table 3.4 *Measurement for Credit Access*

Variable	Dimensions	Scales	Items in Questionnaire
Credit Access	Loan size	Likert Scale	1. The loan size I received was adequate for business 2. I got the amount of loan I requested for 3. It was difficult to access or get the loan 4. It took long process to get the loan 5. The maturity period was alright 6. Group members monitor and urge me to pay the loan 7. Payment of loan (principal + interest) was made weekly

### 3.7.3 Measurement for Training

According to Ekpe (2011), training is realized as the ability to gain skills and education to reach desired goals. Additionally, Yaacob and Azmi (2016) mentioned that training programs for entrepreneurs would mitigate the lack of management and entrepreneurial skills. In this case, the managerial skills are referred to skills such as marketing skills, financial planning and cash flow management which would contribute to the capabilities of entrepreneurial activities (Yaacob et al., 2016). These acquired skills would be applied by entrepreneurs in their daily business activities. Therefore, the present study operationally defines training as the process of acquiring and developing skills related to

entrepreneurial and managerial which later could be utilized by entrepreneurs to increase their business performances. The present study employs 10 items adopted from Ekpe (2011) in terms of skills acquisition and business or management training (Cheston & Kuhn, 2002; Kickul et. al, 2007; Kuzilwa, 2005). The original survey comprised of 11 items, hence 1 item is found to be irrelevant for the current study.

Table 3.5 *Measurement for Training*

Variable	Dimensions	Scales	Items in Questionnaire
Training	Skill acquisition, general or business management	Likert Scale	<p>(A) Skill Acquisition</p> <ol style="list-style-type: none"> <li>1. I was given training by MFI before getting the loan</li> <li>2. It gave me the required skill to start business</li> <li>3. It gave me the required competence for success</li> <li>4. It gave me assurance for success</li> <li>5. The training was effective</li> <li>6. It provided general awareness about the business</li> </ol> <p>(B) General Management</p> <ol style="list-style-type: none"> <li>7. I received regular training on management after I got the loan</li> <li>8. I attended seminars on management after the loan</li> <li>9. Training gave me current business/market information</li> <li>10. Training gave me knowledge to manage loan/business</li> </ol>

### 3.7.4 Measurement for Social Capital

Coleman (1988) defined social capital as a concept embedded in the structure of relations that portrays in what way the group could assist as a resource for the members of the

group’s social structure. Social capital operationally refers to as the MSEs’ ability to trust each other in their network and strengthen their connection to leverage the opportunities of enhancing business performances. Henceforth, the present study adapts 7 items from Ekpe (2011) which comprises of two dimensions, which are group membership/networking and bonding (Allen, 2000; Olomola, 2002; Ekpe, 2011).

Table 3.6 *Measurement for Social Capital*

Variable	Dimensions	Scales	Items in Questionnaire
Social Capital	Group membership/networking, bonding	Likert Scale	<p>A) Group membership</p> <ol style="list-style-type: none"> <li>1. Group membership was a condition for getting the loan</li> <li>2. I belong to more than one group</li> <li>3. I participate actively in other loan groups as well</li> <li>4. More group members help to get information</li> </ol> <p>B) Bonding (Relationship Strength)</p> <ol style="list-style-type: none"> <li>1. We have a close friendship in my group</li> <li>2. We communicate frequently</li> <li>3. We meet regularly, at least once a week</li> </ol>

### 3.7.5 Measurement for Religiosity

Brandt (1996) specified that religiosity is related to discussions surrounded by belief systems and extended to personal, familial, and work-related commitments. Meanwhile,



Abdul Wahab (2018) quoted Imam al-Ghazali four dimensions of Islamic practices which are practices (Ibadat), forgiveness (al-‘afw), faith in Allah (faith), and remembering Allah (zikrullah). According to Fazl-Ul-Karim (1993) and Naail et al. (2014) the individuals whom are practicing the Islamic practices would feel the blessings in their daily activities, which would result in their success in this world and the hereafter. Hence, present study operationally defines religiosity as the religious (Islamic) practices performed by individuals (MSEs) in their daily life. Present study adapts 17 items from Naail et al., (2014) in the dimension of Muslim religious practices. Two additional items pertaining to debt are added in the present study.

Table 3.7 *Measurement for Religiosity*

Variable	Dimensions	Scales	Items in Questionnaire
Religiosity	Muslim religious practices, Forgiveness, Faith in Allah, & Remembering Allah	Likert Scale	<ol style="list-style-type: none"> <li>1. I say my prayers first before work.</li> <li>2. I fast on Monday and Thursday.</li> <li>3. I pray congregationally.</li> <li>4. I break the fast together with my employees.</li> <li>5. I pray Istikharah when I must make big decisions.</li> <li>6. I would apologize to my employees if I made mistakes.</li> <li>7. I would cater the needs of my customers</li> <li>8. I would apologize for my mistakes</li> <li>9. I am fair and generous.</li> <li>10. My business is operated legally and abide by the Shariah law.</li> <li>11. I did not conduct illegal activities to avoid the wrath of Allah</li> <li>12. I always tawakkal to Allah after doing my best effort.</li> <li>13. I performed 5 times obligatory prayers every day.</li> <li>14. I practice Islamic values in my businesses</li> <li>15. I paid the zakah</li> </ol>

- 
16. I encourage my employees to ask for Allah's help before making important decisions.
  17. I encourage my employees to ask for Allah's forgiveness whenever they make mistakes or sins.
  18. I always paid my debt
  19. I always pay my debt as I believe that paying debt is compulsory
- 

### 3.9 Pilot Study

According to Cavana et. al (2001), validity is the extent to which an instrument measures what it intended to measure while reliability is a consistent scale measurement concept even when it is implemented in a different setting. Therefore, this study will be utilizing adapted instrument/questionnaire. A pilot study of 30 MSEs will be conducted to test for validity and reliability of the questionnaire to evaluate the accuracy and consistency on what they are supposed to measure. According to Sekaran (2003), conducting a pilot test will assist in correcting inadequacies in the questionnaire prior to collecting the actual data. Similarly, Asika (2010), stated that pilot testing is aimed to figure out the level of adequacy of the survey instruments. Pilot testing is conducted prior to the actual survey to recognize and detect the inadequacies as well as reliability and validity of instrument. Pilot study is conducted from the subsets of the respondents. This would enhance the clarity of the instruments' content. The respondents in the actual survey would be more comfortable and confident to answer the instrument. Besides, pilot testing will reveal the time taken to complete the actual survey (Asika, 2008).

In determining the number of respondents in this pilot study, there are various suggestions came from previous studies. For instance, Isaac and Michael (1995) recommended that there are many practical benefits from having between 10 to 30 samples. Correspondingly, Hill (1998) stated that for pilot study in the survey research type, 10 to 30 participants would be satisfying. Therefore, in the present study, 30 copies of the survey questionnaires were randomly administered to the respondents. All distributed questionnaires were collected and then used for further analysis.

Table 3.2 *Reliability Test*

Construct		Number of Items	Cronbach's Alpha
1.	MSE's Business Performance	10	0.615
2.	Credit Access	7	0.591
3.	Training	12	0.942
4.	Social Capital	7	0.769
5.	Religiosity	19	0.927
TOTAL		45	

According to Melanie (2012), the Cronbach's alpha value ranges from 0 to 1. The rule of thumb for interpreting the value of Cronbach's alpha had been provided by George and Mallery (2003). The alpha value of >0.9 is considered as excellent, >0.8 is good, >0.7 is acceptable, >0.6 is questionable, >0.5 is poor but still acceptable and <0.5 is unacceptable. From the pilot study conducted for this research, it is found that all the constructs involved are within the acceptable range of Cronbach's alpha values. Training constructs recorded the highest alpha value among other constructs followed by religiosity. Social capital construct alpha value is acceptable as it is higher than 0.7. MSE's business performance is

questionable but still acceptable since it falls within the range. Credit access construct is considered as poor yet is reliable since it is higher than 0.5. Henceforth, all the constructs involved have met the reliability test performed in the pilot study.

### **3.9.1 Validity of Measurement**

Validity test consists of three different types which are content/face validity, criterion validity, and construct validity (Ekpe, 2011). The experts in the field and the literature review result would be determining the content validity. For every research, it is compulsory for any instrument to be tested for content validity. This would ensure the adequate contents or items which measure the variables in the questions in the questionnaires. Construct validity is for newly constructed and future use instruments. Criterion validity comprises of concurrent and predictive validity. It helps to measure the performance of the constructs, whether the performance is expected compared to other variables that would have been used and compared to the underpinning theory (Hair et. al, 2007). For instance, if the data portrayed that microfinance factors (credit access, savings, training, and social capital have enhanced MSEs business performance, the concurrent validity will be present. According to Hair et. al (2007), predictive validity evaluates the construct ability to measure at one point in time to “predict another criterion at a future point in time. Exploratory Factor Analysis is another method used to measure validity.

### **3.9.2 Reliability of Measurement**

There are two types of reliability test which are internal consistency and stability test (Ekpe, 2011). According to Sekaran (2003), the internal consistency is made up of equivalent forms or methods and the split halves. As for the split halves, all data is entered into the database and then split into halves. One after the other results is then being tested and the result is compared. Meanwhile, the equivalent method is used to test the data and compare the result. Stability test, is a retest method, which is adopted. Data will be collected from the same respondents at different times on the same issue (Sekaran, 2003). For this study, a pilot study is conducted to test the questionnaire contents adequacy.

### **3.10 Data Analysis Method**

The data will be processed using Statistical Packages for Social Sciences (SPSS) version 22 before the analysis. This processed is known as the data cleaning and transformation where editing for missing data, identifying and eliminating any collected outlier are performed. The result of analysis could be jeopardized if there is missing data. Hence, missing data is substantial for this research. There would be a possibility in some cases where no missing data are enough for conducting analysis, the variables with substantial missing data could be deleted and eliminated (Hair et. al, 2010).

### **3.10.1 Descriptive Statistics**

Descriptive statistics consists of frequency, relative frequency distributions, measures of central tendency and measures of dispersion were used. For example, relative frequency could be used in this research to analyze data on MSEs demographic variables. The most appropriate and relevant descriptive statistics to use in this study are interval or ratio data, the mean and standard deviation. For this study, the objective of the descriptive statistics is to examine the MSEs perception about which microfinance factors which is critical and crucial for their business performance.

### **3.10.2 Hypotheses Testing and Data Analysis**

For hypotheses testing and drawing inferences from sample to population, inferential and parametric statistics and hierarchical regression are used in this study. Correlation and regression analysis were conducted in this study. Correlation and regression were carried out to determine the relationship between dependent variable (MSEs' business performance) and independent variables (microfinance factors: credit access, savings, training, and social capital).

### **3.11 Chapter Summary**

This study emphasizes on the methodology aree used in the process of conducting this study. Several important elements have been highlighted and thoroughly discussed such as research design, population, sample, sampling technique, operational definition and

variables measurement, data collection method, pilot study and data analysis method. Next chapter would be discussing on the results for this study.



## **CHAPTER 4**

### **RESULT ANALYSIS AND DISCUSSIONS**

#### **4.1 Introduction**

This chapter will primarily deliver and describe research results. A detailed analysis is employed to explain the result of the main data collection was discussed in this chapter. Response rate of the survey was included to describe the overview of data collected in this study. Demographic analysis of the respondents is included in this chapter. Data screening is conducted to identify and handle any missing data, abnormal data, and outliers. This chapter then continue to discuss on the outcome of the tests conducted on the data collected such as Exploratory Factor Analysis (EFA) and the Internal Consistency Reliability. The result from descriptive analysis, correlation analysis, and multiple regression analysis were portrayed and discussed in depth in this chapter.

#### **4.2 Response Rate**

Response rate assists researcher to attain substantial conclusion for the research. Nevertheless, we need to confirm the significance of response rate prior to conducting analysis. For current research, out of 1399 population of Tekun borrowers in Kedah, 302 samples had been selected using Krejcie & Morgan table (1970). However, 320 of survey questionnaires were randomly distributed to the randomly chosen clusters according to geographical zone in Kedah. This process was done to attain higher response rate among respondents. 102 out of 320 survey questionnaires distributed was managed to be collected. This made up 31.88% responses collected from the respondents.



Table 4.1 *Response Rate according to Geographical Zone*

Geographical Zone	Number of Questionnaires	Number of Questionnaires
	Distributed	Collected
<b>Cluster 1 Northern I</b>	64	42
Cluster 2 Northern II	0	0
<b>Cluster 3 Central</b>	64	60
Cluster 4 Eastern	0	0
<b>Cluster 5 Southern</b>	64	0
<b>TOTAL</b>	320	102

Response Rate = Total Questionnaires Collected / Total Questionnaires Administered


$$= 102/320$$

$$= 31.88\%$$

### 4.3 Demographic Characteristics of Respondents

The actual number of respondents whom had responded to the survey questionnaires are portrayed in Table 4.2. A total of 102 questionnaires were collected from *Tekun* borrowers in three different clusters at Kedah. There were 54 female respondents and 48 male respondents. 47% of the respondents are female while 53% of the respondents are male.

Age categories of respondents are comprised of 5 categories which are, less than 20 years old, 20-29 years old, 30-39 years old, 40-49 years old, and more than 50 years old. Majority of the respondents involved in this survey were between the age of 30-39 years old which made up around 31% of the respondents. Meanwhile, about 30% of the respondents are between 20-29 years old and another 30% are 40-49 years old. The remaining 7% and 4% are less than 20 and more than 50 years old respectively. Moreover, referring to their marital status of the respondents, 69% are married, 21% are single, and 10% are widow/widower. Referring to race of the respondents, majority are Malays and 100% are Muslims.

For academic qualification, majority of the respondents had the highest education completed in Malaysian Certificate Examination or *Sijil Pelajaran Malaysia* (SPM). Majority of the respondents have been involved in their businesses in the range of 3-5 years. Most of them are involved in food businesses. 26 respondents are at the early stage while 55 are at growth stage, 13 at the maturity stage and 8 at the declining stage of business. Most of the respondents have registered their businesses. This is because the basic requirement for applying and obtaining the loan from Tekun Nasional is to have the registered licences/permits/get their businesses registered legally with Companies Commission of Malaysia (TEKUN, 2018). Majority of the respondents initiated their own businesses as they are categorized as the micro and small enterprises. Most entrepreneurs in this category are at the beginning stage of their business and motivated to expand their businesses to higher stages.

Table 4.2 Respondents' Profile

Demographic		Frequency	Percentage (%)
1. Gender	Male	48	47.1
	Female	54	52.9
2. Age	Less than 20 years old	7	6.9
	20-29 years	30	29.4
	30-39 years	31	30.4
	40-49 years	30	29.4
	More than 50 years old	4	3.9
3. Race	Malay	98	96.1
	Chinese	0	0.0
	Indian	1	1.0
	Others	3	2.9
4. Religion	Islam	100	100.0
	Christianity		
	Buddha		
	Hindu		
	Others		
5. Marital Status	Single	21	20.6
	Married	70	68.6
	Widow/Widower	11	10.8
6. Academic Qualification	PMR	18	17.6
	SPM	47	46.1
	Certificate	16	15.7
	Diploma	14	13.7
	Bachelor's Degree	6	5.9
	Master's Degree	0	0.0
	PhD	1	1.0
7. Business Period	Less than 3 years	31	30.4
	3-5 years	45	44.1
	6-10 years	20	19.6
	More than 11 years	6	5.9
8. Business Type	Food	37	36.3
	Retail	34	33.3
	Agriculture	8	7.8
	Services	22	21.6
	Others	1	1.0
9. Current Business Stage	Early	26	25.5
	Growth	55	53.9
	Mature	13	12.7

	Decline	8	7.8
10. Business Registration	Yes	101	99.0
	No	1	1.0
11. Monthly Income Estimate	Less than RM 1000	20	19.6
	RM 1000 – RM 2000	41	40.2
	More than RM 3000	41	40.2
12. Ownership	Own business	62	60.8
	Inherit Business	27	26.5
	Partnership	13	12.7
	Others	0	0.0
13. Type of Borrowing Services	Teman Tekun	39	38.2
	Teman Nita	15	14.7
	Teman Niaga	39	38.2
	Kontrak-I	4	3.9
	Ar-Rahnu	2	2.0
	SPUMI	1	1.0
	Others	2	2.0

#### 4.4 Data Screening

Prior to conducting analyses such as regression and correlation, the data collected were firstly examined to detect whether the data met the requirements for further analyses.

##### 4.4.1 Missing Data

According to the analysis of missing data, there is 0% of missing values for each item existed in the questionnaires.

##### 4.4.2 Normality

Normality test was conducted to analyze whether the data is well-model with or without normal distribution. This determined whether the parametric test could be utilized. There are 2 methods which could be used to assess normality. The methods are statistical and graphical method. For analyzing normality using statistical method, skewness and kurtosis could be used. The distribution is perceived as normal provided that the value for skewness

and kurtosis are within the range of absolute value of 2. According to Kim (2013), the z-value of kurtosis and skewness should be smaller than 3.29 given that the sample ranges between 50 and 300. Meanwhile, for assessing normality using graphical method, histogram residual plots and boxplot can be used. According to Tabachnick and Fidell (2007), through using the histogram residual plots, the shape of the data distribution should be normal. Henceforth, if the criteria are being fulfilled, the residuals would be normally and independently distributed as mentioned by Tabachnick and Fidell (2007). For the present study, normality is assessed using both the statistical. For the statistical method, skewness and kurtosis are computed using formulas portrayed below. The value of skewness and kurtosis were within the range of 3.29.

*Formulas for Computing Skewness and Kurtosis*

$Z \text{ Skewness} = \text{Skewness} / \text{Standard Error of Skewness}$

$Z \text{ Kurtosis} = \text{Kurtosis} / \text{Standard Error of Kurtosis}$

Table 4.3 *Skewness and Kurtosis*

	MSEs' Business Performance	Credit Access	Training	Social Capital	Religiosity
Skewness	.041	.587	-.140	.041	.170
Std. Error of Skewness	.239	.239	.239	.239	.239
Z-Skewness	<b>0.17</b>	<b>2.46</b>	<b>0.59</b>	<b>0.17</b>	<b>0.71</b>
Kurtosis	-.771	-.233	-.802	-.698	-1.463
Std. Error of Kurtosis	.474	.474	.474	.474	.474
Z-Kurtosis	<b>-1.62</b>	<b>-0.49</b>	<b>1.69</b>	<b>1.47</b>	<b>3.09</b>

#### 4.4.3 Outliers Detection

Outliers could be defined as the inconsistency of observations or the subsets of observations with the remainder of the data (Barnett and Lewis, 1994). Outliers should be detected and identified. This is because, according to Verardi and Croux (2008), the existence of outliers may lead to unreliable results as they distorted the regression coefficient estimation. There are two types of outliers, which are univariate and multivariate outliers.

In the present study, SPSS is used to tabulate the frequency distribution. Referring to the output, there are no value labels which are extreme and outside of the anticipated range. According to Tabachnick and Fidell (2007), the basis of standardized values of with a cut off value of absolute 3.29 ( $p < .001$ ) is employed to detect univariate outliers. Following the criteria recommended by Tabachnick and Fidell (2007) to identify univariate outliers, there are no univariate outliers identified in the present study using standardized values.

Furthermore, Mahalanobis distance ( $D^2$ ) can be used to spot the multivariate outliers. Referring to Pallant (2007), outliers could be detected using the comparison of either Mahalanobis distance ( $D^2$ ) or chi-square through utilizing the predictor variables number as the degrees of freedom. Additionally, Hair et al. (2010) suggested that identifying outliers could be done using the analysis of Mahalanobis distances. From the observations, only extreme numbers would be deleted (Hair et al., 2010). As suggested by Pallant (2007), a case is identified as an outlier given that the Mahalanobis distance  $>$  Chi-

square critical value. The distances are construed using the  $p < 0.001$ . From the tabulated output, there are no multivariate outliers identified in the present study.

## **4.5 Exploratory Factor Analysis**

The present study employed exploratory factor analysis (EFA) to detect the fundamental structure of all variables and provide the existence of validity. The exploratory factor analysis was conducted prior to more analyses. Items which were identified to possessed low value and cross loading were not included for other tests such as correlation, multiple regression and independent t-test analysis. The EFA assessed the validity of the of the construct by evaluating whether the constructs within the same measure correlate with each other. Next section will be discussing the result of the factor analysis.

### **4.5.1 MSEs' Business Performance Constructs**

Factor analysis was conducted on 10 items. All the 10 items are retained for further analysis. According to Coakes, Stead and Ong (2009), to assume for factorability, the KMO value should be greater than 0.6 and the Bartlett's sphericity test should be significant. For MSE's business performance, the Kaiser-Meyer-Olkin (KMO) measure was 0.936. Hair et al. (2010) stated that the measure is regarded as valid and substantial if it has a loading factor of 0.5 and above on the targeted construct.

Table 4.4 *Factor Analysis Result of MSEs' Business Performance*

<b>Component Matrix</b>	
Sales Increase	.939
Sales Item	.936
Output	.935
Savings	.933
Part-time Workers	.932
Buying Stock	.923
New Equipment	.918
Workers	.915
Business Payment	.905
Meeting Demand	.869
Eigen Value	8.476
Variance (100%)	84.76
Cumulative Variance	84.76
Kaiser-Mayer Olkin (KMO)	0.936

#### 4.5.2 Credit Access Constructs

Factor analysis was conducted on 7 items. All the 7 items are retained for further analysis. The sampling adequacy for this analysis is met as the KMO value for credit access is 0.825, which is greater than 0.6. The Bartlett's sphericity test is also met as the value is 0.000, which is significant. All the loading factors is greater than 0.05.

Table 4.5 *Factor Analysis Result of Credit Access*

<b>Rotated Component Matrix</b>	
Group Member	.902
Payment Period	.892
Weekly Payment	.800
Limited Access	.682
Loan Size	.946
Loan Needed	.914
Payment Period	.459
Eigen Value	
Variance (100%)	
Cumulative Variance	
Kaiser-Mayer Olkin (KMO)	0.825



### 4.5.3 Training Constructs

For the training constructs, factor analysis is conducted on 12 items. The KMO-test for training is 0.931 which is considered as good and the Bartlett's test shown the tests with significant value 0.000. After conducting factor analysis, all the 12 items are retained.

Table 4.6 *Factor Analysis Result of Training*

<b>Component Matrix</b>	
Effectiveness	.954
Basic Knowledge	.945
Success	.944
Knowledge	.935
TR Frequency	.935
Current Info	.927
Business Management	.924
Record	.915
Social	.912
TR Increase	.912
Receive TR	.905
TR Helps	.891
Eigen Value	10.272
Variance (100%)	85.603
Cumulative Variance	85.603
Kaiser-Mayer Olkin (KMO)	0.931

### 4.5.4 Social Capital Constructs

Factor analysis was conducted on 7 items. All the 7 items are retained for further analysis. The sampling adequacy for this analysis is met as the KMO value for credit access is 0.909, which is greater than 0.6. The Bartlett's sphericity test is also met as the value is 0.000, which is significant. All the loading factors is greater than 0.05.

Table 4.7 *Factor Analysis Result of Social Capital*

<b>Component Matrix</b>	
Frequency	.952
Information	.951
Communication	.929
More Information	.910
Relationship	.894
Group members	.879
Active Participation	.878
Eigen Value	5.845
Variance (100%)	83.498
Cumulative Variance	83.498
Kaiser-Mayer Olkin (KMO)	0.909

#### 4.5.5 Religiosity Constructs

Factor analysis was conducted on 19 items. All the 19 items are retained for further analysis. The sampling adequacy for this analysis is met as the KMO value for credit access is 0.926, which is greater than 0.6. The Bartlett's sphericity test is also met as the value is 0.000, which is significant. All the loading factors is greater than 0.05.

Table 4.8 *Factor Analysis Result of Religiosity*

<b>Component Matrix</b>	
Meet Demand	.883
Fairness	.868
Istikharah	.853
Apologize (1)	.850
Apologize (2)	.822
Fasting	.822
Doa	.819
Solat	.815
Avoid Haram Activities	.802
Break the Fast	.779
Syariah Compliance	.744
Ask for Forgiveness	.910
Overall Good Practice	.909
Zakat	.907
Doa Obtain Help	.902

5 Times Prayer	.887
Pay Debt	.870
Debt must be Paid	.865
Tawakkal	.845
<b>Eigen Value</b>	14.150
<b>Variance (100%)</b>	74.473
<b>Cumulative Variance</b>	74.473
<b>Kaiser-Mayer Olkin (KMO)</b>	0.926

#### 4.6 Reliability Analysis

Reliability analysis is employed after conducting factor analysis. Reliability test demonstrates the consistency of measuring instrument to measure any concept to be measured (Ahmad, 2016). The reason behind conducting reliability analysis is to confirm that the items involved were adequate for further analysis. Table 4.9 is showing the outcome of the reliability analysis for this study.

Table 4.9 *Reliability Test Result*

Variables	Number of Items	Cronbach's Alpha
DEPENDENT VARIABLE		
MSEs' Business Performance	10	0.979
INDEPENDENT VARIABLES		
Credit Access	7	0.899
Training	12	0.985
Social Capital	7	0.965
Religiosity	19	0.980

We could infer from the reliability analysis outcome, all the variables included in this study possessed a high value of cronbach's alpha. According to Nunally and Bernstein (1994), an alpha value which is more than 0.6 is satisfying. Meanwhile, an alpha value of 0.7 is identified as sufficient (Nunally, 1978). Henceforth, for the present study, all items involved are retained for further analysis.

#### **4.7 Descriptive Analysis**

Descriptive measurement of means and standard deviations were gotten for interval-scaled independent and dependent variables. The respondents involved in this study were from the micro and small entrepreneurs who borrowed from Tekun Nasional in Kedah. Table 4.10 portrayed the descriptive statistics for this study and Table 4.11 shown the interpretation of the mean score. According to Alias Baba (1997) on interpretation of the mean score, MSEs' business performance has a mean value of 3.125, which is considered as the high medium level of mean score. Meanwhile, credit access has a mean value of 2.826, with the standard deviation of 0.905. Credit access can be interpreted as having the low medium level of mean score. The output shown that training recorded the mean value of 2.878 with standard deviation of 1.160. Hence, the mean score of training is at the low medium level. Social capital recorded the mean value of 3.097 and the standard deviation is 1.046. Therefore, the mean value recorded for social capital is at high medium level. Finally, the mean value for religiosity is 3.677 and the standard deviation is 0.858. Religiosity recorded the highest mean value among other variables in this study. Referring to Alias Baba (1997), the mean value of religiosity is at the high medium level.

Table 4.10 *Descriptive Statistic*

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
MSEs' Business Performance	102	3.125	1.082
Credit Access	102	2.826	0.905
Training	102	2.878	1.160
Social Capital	102	3.097	1.046
Religiosity	102	3.677	0.858

Table 4.11 *Interpretation of the Mean Score Level*

<b>Mean Score</b>	<b>Interpretation</b>
1.00 – 2.00	Low level
2.01 – 3.00	Low medium level
3.01 – 4.00	High medium level
4.01 – 5.00	High level

*Source; Alias Baba (1997), Statistical Research in Education and Social Sciences*

#### 4.8 Correlation Analysis

To identify the linear relationships among variables, Pearson correlation analysis method is employed for present study. Pearson correlation analysis was conducted as a predictive analysis to identify the relationship between the variables involved in this study as well as detect any multicollinearity which might exist. Sekaran (2000) stated that Pearson correlation coefficient is suitable for interval scaled and ratio scaled variables. In

accordance to Cohen (1988),  $r = 0.10$  to  $0.29$  signify small relationship,  $r = 0.30$  to  $0.49$  signify medium level of relationship, and  $r = 0.50$  to  $1.00$  signify large relationship.

In this section, the analysis is intended to report the correlation result of the five main variables; which are MSEs’ business performance, credit access, training, social capital, and religiosity. Table 4.11 portrayed the positive correlation between MSEs’ business performance and credit access with a correlation coefficient value of 0.604. Religiosity signified the strongest correlation coefficient value of 0.637 compared to other variables. Training variable has the correlation coefficient value of 0.431 while social capital is 0.332. Both training and social capital have indicated medium level of relationship. Therefore, the correlation matrix demonstrated that there are significant relationships between each variable existed. For this study, the hypotheses, which are hypothesis one, two, three, and four are accepted.

Table 4.12 *Correlation Results of the Independent and Dependent Variables and Its Dimensions*

	1	2	3	4	5
1. MSEs’ Business Performance	1				
2. Credit Access	.604	1			
3. Training	.431	.794	1		
4. Social Capital	.332	.652	.711	1	
5. Religiosity	.637	.627	.592	.560	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

#### 4.9 Multiple Regression Analysis

Multiple regression analysis is a statistical analysis employed in analyzing the relationship between a single dependent variable and several independent variables. According to Sekaran (2003), multiple regression would offer an insight and preview on how much the dependent variable was explained by the independent variables. This section demonstrates the results for multiple regression of MSEs' business performance, credit access, training, social capital and religiosity. Table 4.12 presented the results of multiple regression.

The R-squared value shown how much of the variance in the dependent variable is explained by the model. Based on the result shown below, the regression equation with the entire predictors is significant;  $R = 0.716$ ,  $R\text{-squared} = 0.512$ ,  $F = 25.462$ ,  $p < 0.05$ . In other words, the multiple correlation coefficient between the predictors and the criterion variables was 0.716. This model stated that the four independent variables explain 51.2% of the variance in MSEs' business performance.

According to Green and Salkin (2008), the use of standardized coefficient beta could determine the strength of the independent variables in predicting dependent variable. Credit access recorded the standardized coefficient beta of 0.543. Credit access have the highest standardized coefficient beta compared to other independent variables in this study. This result demonstrates that credit access is the strongest variable in predicting MSEs' business performance. Training has the coefficient beta of  $-1.64$ . Social capital

recorded the coefficient beta of -1.82, which is the lowest value among the independent variables. Meanwhile, religiosity, with the beta value of 0.495 has recorded the second highest value of coefficient beta.

Table 4.13 *Multiple Regression Results of the Independent and Dependent Variables and Its Dimensions*

Model	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	t.
<b>Sig</b>				
(Constant)	0.16	.348		.047
.963				
Credit Access	.649	.149	.543	4.361
.000				
Training	-.153	.121	-.164	-1.267
.208				
Social Capital	-.189	.109	-.182	-1.737
.086				
Religiosity	.625	.119	.495	5.231
.000				

R Square = 0.512

F = 25.462

R = 0.716

p ≤ 0.05

Based on the results depicted in Table 4.12 on multiple regression, it is found that credit access is statistically significant to business performance with the beta value of 0.649.



Religiosity is statistically significant to business performance with the beta value of 0.495. Training, which has the beta value of -.153 is statistically insignificant to business performance. Social capital is also statistically insignificant to business performance. Based on the results presented above, the hypotheses were summarized as follows:

Table 4.14 *Hypotheses Results*

Hypothesis	Description	Result
H5a	There is a significant influence of credit access on MSEs' business performance.	Accepted
H5b	There is a significant influence of training on MSEs' business performance.	Rejected
H5c	There is a significant influence of social capital on MSEs' business performance.	Rejected
H5d	There is a significant influence of religiosity on MSEs' business performance.	Accepted

#### 4.10 Chapter Summary

This chapter has presented and discussed the results from the data collected from the respondents in this study. Various analyses ranging from data screening, frequency, factor analysis, reliability, and regression were included in this chapter. The discussions for the results in this study would be provided in depth in the next chapter.

## CHAPTER 5

### RECOMMENDATIONS AND CONCLUSIONS

#### 5.1 Introduction

This chapter further discussed the findings from various statistical analysis conducted in the previous chapter. The discussion for this chapter is based upon summarizing the research problems, research objectives, methodology, and data analysis of the present study. The implications for this study are also included in this chapter. This chapter also encompasses of the section for the limitations of the study and the directions for practitioners. Finally, the last chapter provide conclusion in relation to this research.

#### 5.2 Summary of Research

This research study is conducted to examine the relationship between microfinance factors (credit access, training, and social capital) and religiosity on MSEs' business performance. Besides, this study also is intended to examine the influence of microfinance factors and religiosity on MSEs' business performance. Furthermore, literature review and underpinning theory pertaining to this research have been included in the previous chapters. The present study employed the main and only theory, which is Resource Based View (RBV) Theory. 320 questionnaires were distributed to the MSEs who are borrowing from TEKUN Nasional in Kedah. 102 out of the 320 questionnaires distributed were managed to be collected, which made the response rate appear to be 31.88%. Then, the data collected were analyzed using SPSS software version 22.0. SPSS is utilized to examine the demographic information of the respondents.

Furthermore, correlation analysis is used to evaluate the correlation of the hypothesis and the relationship between the independent and dependent variable. Multiple regression analysis is employed in this study to evaluate the impact of independent variables on the dependent variable. Succinctly, the output from this research is anticipated to be applied as a reference for the management of TEKUN Nasional and other microfinance institutions to provide deeper understanding on microfinance factors and religiosity influencing MSEs' business performance. The findings would assist the government, microfinance institutions, and the practitioners to find practical solutions in enhancing MSEs' business performance in Malaysia.

### **5.3 Discussions of Findings**

This section revealed the discussion of the key findings of the present study pertaining to the research objectives, underpinning theory, and the output obtained from SPSS statistical analysis software.

In Chapter 1, the research objectives have been established for this study as follows:

- To examine the significant relationship between credit access and MSEs' business performance.
- To examine the significant relationship between training and MSEs' business performance.
- To examine the significant relationship between social capital and MSEs' business performance.

- To examine the significant relationship between religiosity and MSEs' business performance.
- To examine the significant influence of microfinance factors (credit access, training, social capital) and religiosity on MSEs' business performance.

From the Pearson correlation analysis conducted, it is revealed that there is the relationship between credit access, training, social capital and religiosity with MSEs' business performance. When tested using the regression analysis, it is found that credit access and religiosity is statistically significant to MSEs' business performance. Meanwhile, the other two independent variables, training and social capital is found to be statistically insignificant to MSEs' business performance. The in-depth discussions on the findings would be included in the following sub-sections.

### **5.3.1 Credit Access and MSEs' Business Performance**

The outcome from this study revealed that there is a relationship between credit access and MSEs' business performance. The correlation coefficient is 0.604, which signifies large level of relationship. It has established direct relationship with the dependent variable. Based on the regression analysis, credit access is found to be statistically significant to MSEs' business performance. The standardized beta coefficient of credit access is 0.543, which means that credit access is the strongest variable among other variables in predicting MSEs' business performance. This result matches with the findings from previous studies, where credit is identified as a crucial microfinance factors for performances (Kuzilwa, 2005; Lakwo, 2007; Peter, 2001). Aligned with the Resource-Based View (RBV) theory,

credit access is an important resource for entrepreneurs to grow and expand their businesses. This is particularly important especially for small and micro entrepreneurs. For the present study, more than 60% of the entrepreneurs initiated their own business. Therefore, they required huge amount to embark in entrepreneurship and start their businesses. Enough supply of credit would assist business owners in sustaining their business operations and directly contributing towards their performances.

### **5.3.2 Training and MSEs' Business Performance**

From the Pearson correlation analysis, it is revealed that there is a relationship between training and MSEs' business performance. Former study has reported that training is essential to mitigate the lack of management and entrepreneurial skills (Yaacob et al., 2016). Previous studies also found that training is significantly positive to business performance (Alom et al., 2016; Selvarajah et al., 2017; Glaub and Frese 2011). Due to the discoveries from previous research, it is highly anticipated that the result from this study would be significant. However, the findings from the current study states that training is not significant to MSEs' business performance with the p value of 0.208, which is higher than 0.05. This is because the respondents involve in this study did not receive enough training from the microfinance institution. Since, they did not receive enough training, the respondents in this study perceived that training did not led towards enhancing their business performance. The mean for training is 2.878 and standard deviation is 1.160. The result portrays that their answers are leaning towards disagreeing with the statements of the training items in the questionnaire. This explains the reason behind the negative direction of the beta value ( $B = -0.164$ ) between training and business performance. The result

implies that training does not contribute towards better performance, which contradicts with previous research. The microfinance institutions in Malaysia, did not put enough emphasis on training. According to Hammawa (2018), training is valuable, rare, inimitable, and non-substitutable form of resources, which met the characteristics of RBV theory. Hence, proper utilization of training as a resource, would provide competitive advantage. Training, which is provided on a big-scale and one-time basis are proven to be ineffective for the continuation of gaining knowledge and skills among entrepreneurs.

### **5.3.3 Social Capital and MSEs' Business Performance**

The positive output and correlation coefficient result established that there is the relationship between social capital and business performance. As mentioned by earlier studies, social capital is found to be important for businesses to obtain information and resources for expansion (Brata, 2004; Shane, 2003). However, the current research findings specified that social capital is not significant to business performance with the p value of 0.086 which is slightly higher than 0.05. This is mainly due to the type of loan chosen by the respondents involved in this research. TEKUN Nasional have offered different types of financing schemes. Teman TEKUN and Teman Nita are the two schemes which are focused heavily on paying back the loan in a group. Hence, these two schemes are encouraging entrepreneurs to interact with each other and promote group cohesiveness among the members. There are 52% of the respondents who are involved in Teman TEKUN and Teman Nita. Meanwhile, 48% of the respondents are borrowing from other TEKUN schemes. The other schemes provided by TEKUN are mainly on individual-basis type of loan. Henceforth, this explains why the statistical output for social capital appear

to be insignificant to business performance in this study. The comparison and contrast of the involvement in social capital for entrepreneurs can be extracted from the result of this study. However, social capital is also the intangible form of resources, in which, with proper utilization, result in sustainable competitive advantage. This is because, social capital met the four characteristics mentioned in RBV theory. The standardized coefficient of  $-0.0182$  shown that social capital is the lowest in predicting MSEs' business performance. The small difference in the p-value of regression output, which result in the insignificant result, had rejected the initial hypothesis is explained through the type of loan selected by the entrepreneurs.

#### **5.3.4 Religiosity and MSEs' Business Performance**

Religiosity is a vital component, in which the good religious values are being practiced by individuals, as they abide by the religious conducts. Employing the concept of owner-manager for micro and small businesses, it can be deduced that the business owners whom are religious, are expected to practice good values which are both compulsory and highly encouraged by religion. Religiosity is an intangible form of resources which satisfy the RBV characteristics and provide competitive advantage to the firm. The four dimensions which are being tested under the religiosity constructs are religious action (ibadah), forgiveness, faith, and the remembrance of Allah. From this study, it is found that there is a relationship between religiosity and MSEs' business performance with the correlation coefficient of  $0.637$ . After conducting regression analysis, it is found that religiosity is significant to MSEs' business performance with the standardized beta coefficient of  $0.495$ . The result is consistent with the findings from the previous studies (Tahir & Abdul, 2013;

Hoe et. al, 2012; Rulindo & Mardhatillah, 2011). An individual whom is religious would reflect his belief into action and practices. The individual would then try to fulfill the four dimensions involved in the religiosity construct. For instance, Islamic practice put an emphasis on managing and paying debt. Thus, entrepreneurs whom are borrowing would be making efforts to pay and settle their debt on time. This statement has been proven from the statistical analysis performed in this study. The mean for religiosity is 3.677 and its standard deviation is 0.858. This implied that most of the respondents are inclined towards agreeing that religiosity is important. From the items extracted in the questionnaires, MSEs whom are identified as religious, pay their debt on time. They can settle their debt on time, as they are focusing their effort to enhance their sales, product quality, and meet customers demand, which gaining higher profits. The profits attained would then be used to pay off their debts. Hence, it is imperative to incorporate religiosity as an important component in training provided for entrepreneurs by microfinance institutions.

#### **5.4 Limitations of Study and Directions for Future Research**

This section would be discussing on the limitations faced by researcher during the process of completing this study. Furthermore, suggestions and directions are provided as guidelines for future research.

##### **5.4.1 Limitations of Study**

The study was limited to the state of Kedah; as such, it is imperative to assess the efficiency or reliability of the model in different setting. The test could be conducted at a nation-wide



level. Another evident limitation was that there was no emphasis in any specific industry while the study is being conducted. This study was also limited to only one microfinance institution. It would be worthwhile to include multiple microfinance institutions as well. Time and resources served as constraints for this research. In addition, the method of distributing survey questionnaires was also limited due to the lack of cooperation obtained from the microfinance institutions. Despite the limitations outlined, this survey has contributed to the area of entrepreneurship.

#### **5.4.2 Directions for Future Research**

In overcoming the limitations stated in the above sub-section, this study suggested that future research to be conducted by selecting and narrowing down the industry to be studied since this study did not narrow down in any industry. Therefore, future research should be conducted in specific industry to obtain more specific relationship between microfinance factors and religiosity with business performance. Future study could include the study of specific generation among entrepreneurs. Additionally, this study would like to recommend adding more variables and other dimensions for measuring business performance among entrepreneurs. Future research could include mediator or moderator effect to obtain better result in determining the relationship between the independent and dependent variables.

Since this research utilized quantitative research design; future research can employ mixed methods/triangulation, include both quantitative and qualitative research design through

distributing questionnaires and conducting interviews. Lastly, this research suggests the use of Partial Least Square (PLS-SEM) statistical analysis software for data analysis.

## **5.5 Implications of Research**

This section provided the in-depth explanations on the implications of research from the perspective of theoretical and practical aspects.

### **5.5.1 Theoretical Implication**

Furthermore, the findings from this study have contributed to the theoretical framework. Previous study focused on examining the relationship between microfinance factors and religiosity impact on business performance using separate frameworks. However, this study has extended the knowledge by incorporating microfinance factors and religiosity on the same framework. The predictors are being tested simultaneously on its effect on MSEs business performance. Furthermore, this study has contributed theoretically by adding two items under the religiosity construct. The items added are pertinent to this study as the unpaid loan debt has become the issues involved in this study. The items are tested using the validity and reliability test. The outputs are proven to be valid and reliable since the items achieved higher value. Therefore, there are theoretical contributions in this study.

### **5.5.2 Practical Implication**

The findings of this study have presented mixed results. There are two significant and positive relationship between the predictors and MSEs business performance. It indicates

that there are significant relationships on credit access and religiosity on business performance. Meanwhile, the other two predictors, which are training, and social capital are found to be insignificant to business performance.

The output from this study is relevant for policy makers and practitioners such as microfinance institutions, Tekun Nasional, Amanah Ikhtiar Malaysia (AIM), and The Ministry of Entrepreneurship Development to strengthen the entrepreneurship programs in Malaysia. This may assist in energizing and encouraging entrepreneurship development specifically towards the micro and small entrepreneurs. Although training is provided by microfinance institutions, it is a one-slot version of training and only provided on a timely basis, which explains the lack of training received by the entrepreneurs. This is the reason behind the MSEs disagreeing that training leads to business performance. Therefore, the curriculum for training should be improvised through adding more slots for training so that entrepreneurs would benefit from continuous and intensive training received. Aside from that, the element of religiosity is highly encouraged to be included in the training curriculum as well. This would boost the inner motivation among entrepreneurs and promotes self-discipline, where they would be more responsible mainly to settle their debts on time. There is a room for improvement for the availability of credit access as well. The parties involved should be revising the credit terms, method of payment and the amount of loan provided for assisting the MSEs. Credit access is obviously the most important aspects for entrepreneurs to initiate and expand their business. Hence, revising and improvising the credit access paradigm is vital.

Although social capital is found to be insignificant by slight statistical value, the avenue for entrepreneurs to exchange their thoughts, network with each other, and utilize each other's capability are pertinent to boost the entrepreneurship skills and knowledge. This is because the changes in trends and method of conducting business in the era of Industrial Revolution 4.0 happens rapidly. Social capital in terms of networking would help to overcome this issue.

## **5.6 Conclusion**

This study is intended to examine whether microfinance factors and religiosity influenced MSEs' business performance. This study also aimed to examine the relationship between microfinance factors and religiosity with MSEs' business performance. It focuses on the responses of MSEs whom are borrowing from TEKUN Nasional, a microfinance institution. This is because these factors have been identified as important in assisting MSEs which consequently led to better business performances.

Present study has met all the five objectives outlined in the first chapter. The first objective is to examine the relationship between credit access and MSEs' business performance. The second objective is to examine the relationship between training and MSEs' business performance. The third objective is to examine the relationship between social capital and MSEs' business performance. The fourth objective is to examine the relationship between religiosity and MSEs' business performance. The fifth objective is to examine the influence

of microfinance factors (credit access, training, social capital) and religiosity on MSEs' business performance.

The results from this study shown that it is imperative to understand MSEs business performance. The results also recorded that all the variables in this study possessed relationship with MSEs' business performance. Above all, this study emphasized that credit access and religiosity are vital for improving business performance among MSEs. Therefore, these two aspects should be emphasized in developing and assisting the entrepreneurs in Malaysia.

The theoretical framework for this study was established on the literature reviewed. In a nutshell, this study has successfully answered the five research objectives. This research covered altogether five variables: MSEs business performance, credit access, training, social capital, and religiosity. Henceforth, according to the findings from this study, we can conclude that all the research questions and research objectives established were answered. The theoretical framework corresponds with the underpinning theory which is utilized to explain the framework for this research.

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## APPENDICES

### APPENDIX A



#### SOAL SELIDIK KAJIAN

Assalamualaikum wbt/ Salam sejahtera,

Tuan/Puan

Kajian ini adalah berkaitan faktor kewangan mikro dan keagaamaan yang mempengaruhi prestasi perniagaan usahawan mikro dan kecil. Kajian ini menjadi fokus utama kepada penyelidik di peringkat ijazah Sarjana (MSc) di Universiti Utara Malaysia (UUM). Hasil kajian ini diharapkan mampu membantu ke arah usaha melahirkan usahawan mikro dan kecil yang berjaya.

Soalan-soalan yang dikemukakan perlu dibaca dengan teliti dan **jawapan yang jujur** sangatlah penting pada kajian ini. Pihak tuan/puan tidak perlu risau untuk memberikan maklumat yang tepat dan pandangan sebenar. Maklumat yang diperolehi melalui soal selidik ini adalah bertujuan sebagai data kajian semata-mata. Maklum balas yang diberikan dalam soal selidik ini adalah **SULIT**, di mana **identiti tuan/puan tidak akan dapat dikenal pasti** melalui borang soal selidik ini.

Kerjasama dan masa yang diluangkan oleh tuan/puan untuk menjawab soal selidik ini amatlah dihargai dan diiringi dengan ucapan jutaan **terima kasih**.

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Sila tandakan  $\checkmark$  di dalam ruang [ ] yang berkaitan dengan maklumat diri dan perniagaan yang dijalankan oleh tuan/puan.

Jantina: [ ] Lelaki [ ] Perempuan

Umur: [ ] <20 [ ] 20-29 [ ] 30-39 [ ] 40-49 [ ] 50>

Bangsa: [ ] Melayu [ ] Cina [ ] India [ ] Lain-lain

Agama: [ ] Islam [ ] Kristian [ ] Buddha [ ] Hindu [ ] Lain-lain

Status: [ ] Bujang [ ] Berkahwin [ ] Janda/Balu

Tahap Pendidikan tertinggi: [ ] PMR [ ] SPM [ ] Sijil [ ] Diploma  
[ ] Ijazah [ ] Master [ ] PhD

Tempoh Perniagaan: [ ] kurang dari 3 tahun [ ] 3-5 tahun [ ] 6-10 tahun [ ] 11 tahun

Jenis Industri Perniagaan:

☐ Makanan

☐ Peruncitan

☐ Pertanian

☐ Perkhidmatan

☐ Lain-lain (sila nyatakan):.....

Peringkat Perniagaan Terkini: [ ] Permulaan [ ] Perkembangan [ ] Matang  
[ ] Merosot

Pendaftaran: Adakah perniagaan tuan/puan didaftarkan? [ ] Ya [ ] Tidak

Anggaran Pendapatan Bulanan: [ ] kurang dari RM 1000 [ ] RM 1000 – RM 2000  
[ ] RM 3000 dan ke atas

Hak Milik: Bagaimanakah tuan/puan memulakan perniagaan?

- ☐ Memulakan perniagaan sendiri  
☐ Mewarisi perniagaan keluarga  
☐ Memulakan perniagaan bersama rakan kongsi  
☐ ..... Lain-lain (sila nyatakan)

Jenis Pinjaman: ☐ Teman Tekun ☐ Teman Nita ☐ Teman Niaga ☐ .....

Kontrak-I

☐ Ar-Rahnu ☐ SPUMI ☐ ..... Lain-lain (sila nyatakan):.....

Soalan-soalan dibawah ini bertujuan mengenal pasti faktor-faktor kewangan mikro dan keagamaan. Untuk setiap item, sila **bulatkan/tandakan** angka yang menunjukkan keadaan yang dialami oleh perniagaan tuan/puan mengikut skala yang bersesuaian.

#### BAHAGIAN A: PRESTASI PERNIAGAAN USAHAWAN

	1 Sangat Tidak Setuju	2 Tidak Setuju	3 Berkecuali	4 Setuju	5 Sangat Setuju
1. Pendapatan jualan perniagaan saya bertambah	1	2	3	4	5
2. Jumlah barangan yang terjual semakin bertambah	1	2	3	4	5
3. Jumlah akaun simpanan bertambah	1	2	3	4	5
4. Perbelanjaan perniagaan mudah dilunaskan	1	2	3	4	5
5. Pengeluaran barang perniagaan semakin bertambah	1	2	3	4	5
6. Perniagaan saya berupaya membeli stok dengan lebih banyak	1	2	3	4	5
7. Permintaan pelanggan dipenuhi dengan lebih baik	1	2	3	4	5
8. Saya telah membeli peralatan/mesin baru	1	2	3	4	5
9. Bilangan pekerja saya telah meningkat	1	2	3	4	5
10. Saya mempunyai kakitangan sambilan yang baru	1	2	3	4	5

#### BAHAGIAN B: AKSES KREDIT

	1 Sangat Tidak Setuju	2 Tidak Setuju	3 Berkecuali	4 Setuju	5 Sangat Setuju

1. Saiz pinjaman yang saya terima adalah mencukupi untuk perniagaan	1	2	3	4	5
2. Saya mendapat jumlah pinjaman yang saya minta	1	2	3	4	5
3. Saya menghadapi kesulitan dalam memperolehi pinjaman perniagaan	1	2	3	4	5
4. Tempoh pembayaran yang ditetapkan adalah berpatutan	1	2	3	4	5
5. Ahli kumpulan saya memantau dan mendesak saya membayar pinjaman	1	2	3	4	5
6. Pembayaran pinjaman dilakukan setiap minggu	1	2	3	4	5
7. Ia mengambil masa yang lama untuk mendapatkan pinjaman	1	2	3	4	5

#### BAHAGIAN C: LATIHAN

	1 Sangat Tidak Setuju	2 Tidak Setuju	3 Berkecuali	4 Setuju	5 Sangat Setuju
1. Saya diberi latihan oleh pihak Tekun Nasional sebelum memperolehi pinjaman	1	2	3	4	5
2. Latihan yang diterima membantu saya untuk memulakan perniagaan	1	2	3	4	5
3. Latihan memberi saya kecekapan yang diperlukan untuk berjaya	1	2	3	4	5
4. Latihan memberikan saya jaminan untuk berjaya	1	2	3	4	5
5. Latihan yang diberikan sangat berkesan	1	2	3	4	5
6. Latihan memberikan kesedaran umum tentang perniagaan	1	2	3	4	5
7. Saya menerima latihan dengan kerap selepas memperolehi pinjaman	1	2	3	4	5
8. Saya telah menjalani kursus mengenai pengurusan perniagaan setelah memperolehi pinjaman	1	2	3	4	5
9. Latihan memberi saya maklumat perniagaan atau pasaran semasa	1	2	3	4	5
10. Latihan memberi kami pengetahuan untuk menguruskan pinjaman perniagaan dengan berkesan	1	2	3	4	5
11. Kami telah diajar bagaimana untuk menyimpan rekod transaksi perniagaan kami	1	2	3	4	5
12. Latihan membantu saya untuk bergaul dengan pelanggan	1	2	3	4	5

#### BAHAGIAN D: MODAL SOSIAL

	1 Sangat Tidak Setuju	2 Tidak Setuju	3 Berkecuali	4 Setuju	5 Sangat Setuju
1. Keahlian kumpulan adalah syarat untuk mendapatkan pinjaman	1	2	3	4	5
2. Lebih banyak ahli kumpulan membantu untuk mendapat lebih maklumat	1	2	3	4	5
3. Saya menyertai kumpulan pinjaman lain secara aktif	1	2	3	4	5
4. Ahli-ahli dalam kumpulan membantu menyalurkan maklumat	1	2	3	4	5
5. Kami mempunyai persahabatan yang rapat dengan ahli-ahli kumpulan	1	2	3	4	5
6. Kami sering berkomunikasi dengan ahli-ahli kumpulan	1	2	3	4	5
7. Saya selalu berjumpa dengan ahli-ahli kumpulan sekurang-kurangnya seminggu sekali	1	2	3	4	5

#### BAHAGIAN E: KEAGAMAAN

	1 Sangat Tidak Setuju	2 Tidak Setuju	3 Berkecuali	4 Setuju	5 Sangat Setuju
1. Saya berdoa sebelum memulakan pekerjaan	1	2	3	4	5
2. Saya berpuasa sunat Isnin dan Khamis	1	2	3	4	5
3. Saya menunaikan solat secara berjemaah	1	2	3	4	5
4. Saya berbuka puasa bersama-sama pekerja	1	2	3	4	5
5. Saya melakukan solat sunat Istikharah sebelum membuat keputusan yang besar	1	2	3	4	5
6. Saya akan segera memohon maaf kepada pekerja sekiranya saya melakukan kesalahan	1	2	3	4	5
7. Permintaan pelanggan berjaya dipenuhi	1	2	3	4	5
8. Saya sering meminta maaf kepada pihak lain sekiranya berlaku sebarang kesilapan	1	2	3	4	5
9. Saya memastikan urusan dikendalikan dengan adil	1	2	3	4	5
10. Perniagaan saya beroperasi patuh syariah	1	2	3	4	5

11. Perniagaan saya tidak menjalankan kegiatan haram untuk mengelak kemurkaan Allah S.W.T	1	2	3	4	5
12. Saya sentiasa bertawakkal kepada Allah S.W.T. setelah berusaha	1	2	3	4	5
13. Saya sentiasa menunaikan solat lima waktu walaupun dalam keadaan sibuk	1	2	3	4	5
14. Secara keseluruhannya saya mengamalkan amalan yang baik dan menyerahkan kepada Allah S.W.T. untuk menentukan kejayaan saya	1	2	3	4	5
15. Saya membayar zakat	1	2	3	4	5
16. Saya sentiasa meminta pertolongan Allah S.W.T. dengan berdoa	1	2	3	4	5
17. Saya sentiasa memohon ampun kepada Allah S.W.T. apabila melakukan kesalahan	1	2	3	4	5
18. Saya sentiasa membayar hutang	1	2	3	4	5
19. Saya sentiasa membayar hutang kerana percaya membayar hutang adalah wajib	1	2	3	4	5



**Sekian, terima kasih.**

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## APPENDIX B

### Reliability Analysis for Pilot Test

#### Scale: Performance

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.615	10

#### Scale: Credit Access

Case Processing Summary

		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.591	7



Scale: Training

Case Processing Summary			
		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.942	12

Scale: Social Capital

Case Processing Summary			
		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.769	7

Scale: Religiosity

Case Processing Summary			
		N	%
Cases	Valid	30	100.0
	Excluded <sup>a</sup>	0	.0
	Total	30	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.927	19

Reliability Analysis

Scale: PERFORMANCE

Reliability

Case Processing Summary			
		N	%
Cases	Valid	102	100.0
	Excluded <sup>a</sup>	0	.0
	Total	102	100.0

a. Listwise deletion based on all variables in the procedure.

Scale: PERFORMANCE

Reliability Statistics	
Cronbach's Alpha	N of Items
.979	10

**Scale: CREDIT ACCESS**

Case Processing Summary			
		N	%
Cases	Valid	102	100.0
	Excluded <sup>a</sup>	0	.0
	Total	102	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.899	7

**Scale: TRAINING**

Case Processing Summary			
		N	%
Cases	Valid	102	100.0
	Excluded <sup>a</sup>	0	.0
	Total	102	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.985	12

**Scale: SOCIAL CAPITAL**

**Case Processing Summary**

		N	%
Cases	Valid	102	100.0
	Excluded <sup>a</sup>	0	.0
	Total	102	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	N of Items
.965	7

## Scale: RELIGIOSITY

**Case Processing Summary**

		N	%
Cases	Valid	102	100.0
	Excluded <sup>a</sup>	0	.0
	Total	102	100.0

a. Listwise deletion based on all variables in the procedure.

**Reliability Statistics**

Cronbach's Alpha	N of Items
.980	19

APPENDIX C

Descriptive Statistics, Skewness, and Kurtosis

Frequencies

		Statistics				
		MeanPPU	MeanCA	MeanTR	MeanSC	MeanR
N	Valid	102	102	102	102	102
	Missing	0	0	0	0	0
Mean		3.1245	2.8263	2.8799	3.0966	3.6765
Std. Deviation		1.08203	.90454	1.16050	1.04634	.85778

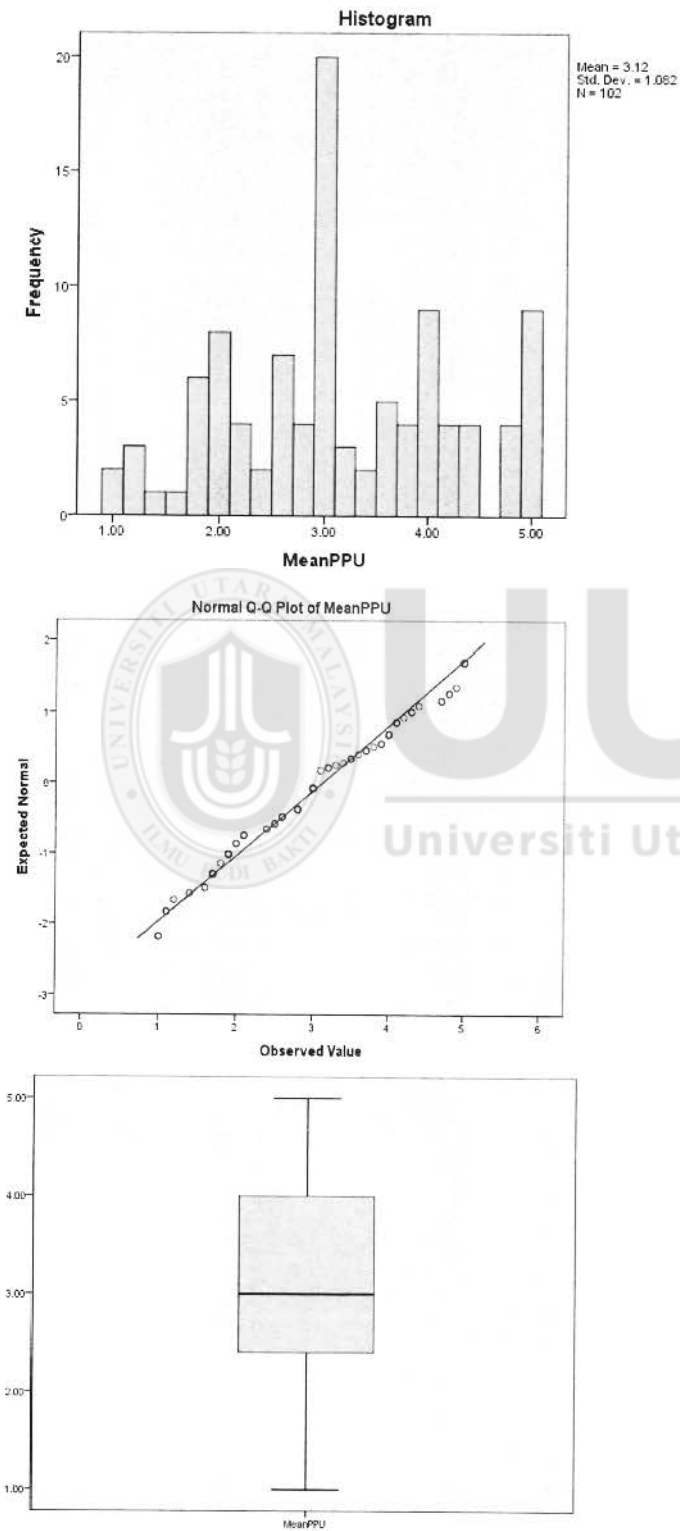
Frequencies

		Statistics				
		MeanPPU	MeanCA	MeanTR	MeanSC	MeanR
N	Valid	102	102	102	102	102
	Missing	0	0	0	0	0
Skewness		.041	.587	-.140	.041	.170
Std. Error of Skewness		.239	.239	.239	.239	.239
Kurtosis		-.771	-.233	-.802	-.698	-1.463
Std. Error of Kurtosis		.474	.474	.474	.474	.474

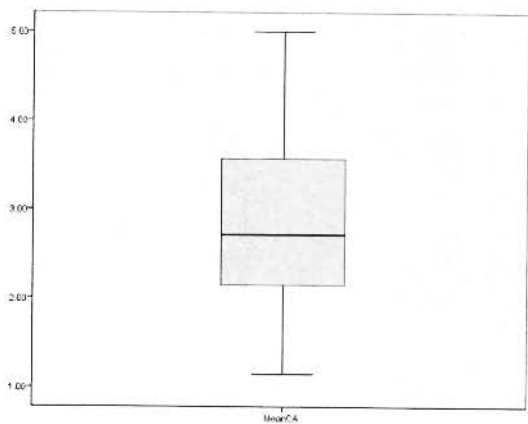
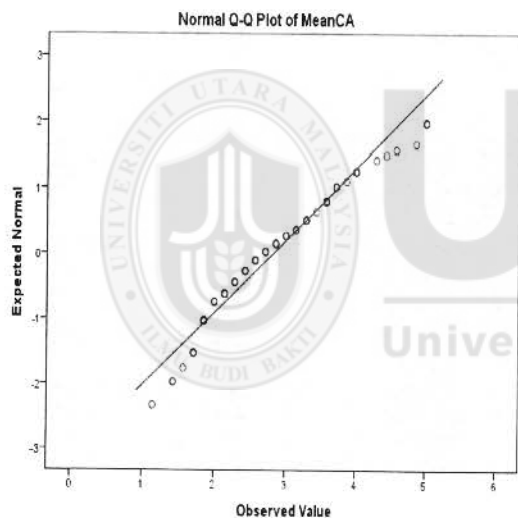
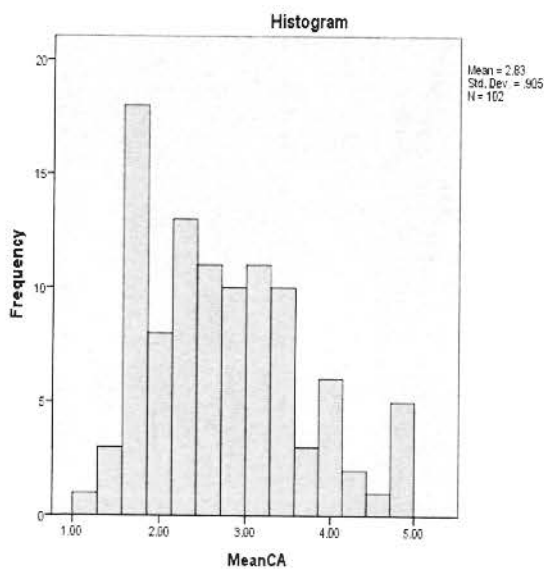
## APPENDIX D

### Normality Test and Boxplot

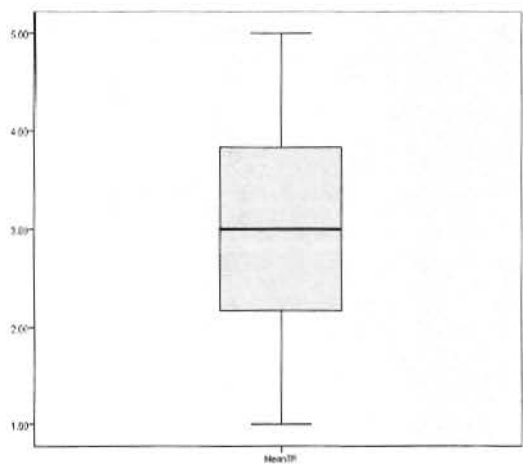
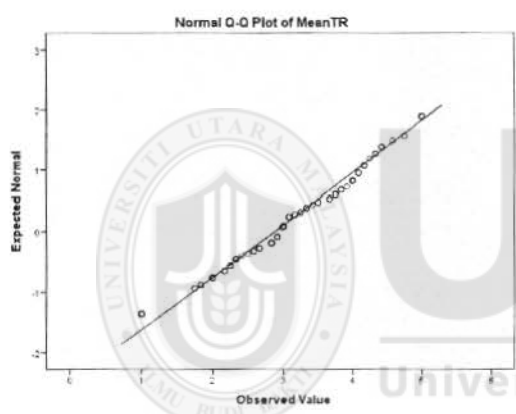
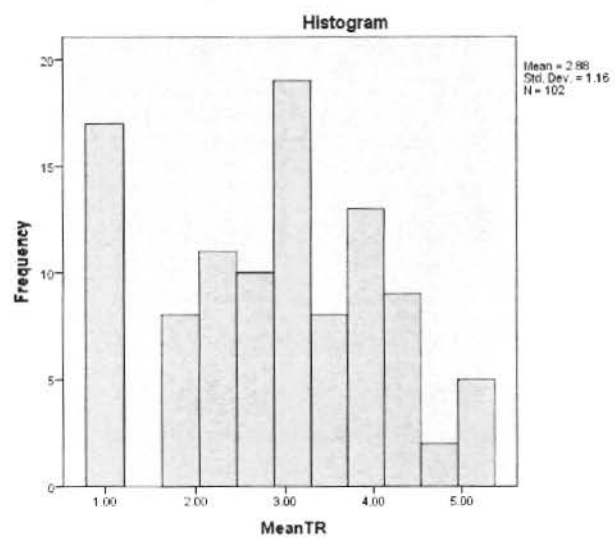
#### 1) MSEs' Business Performance



2) Credit Access

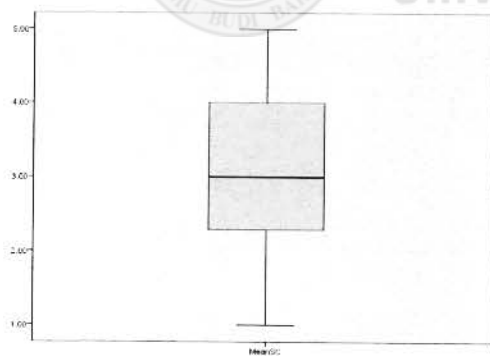
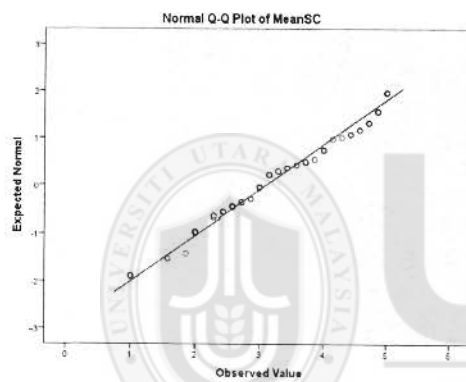
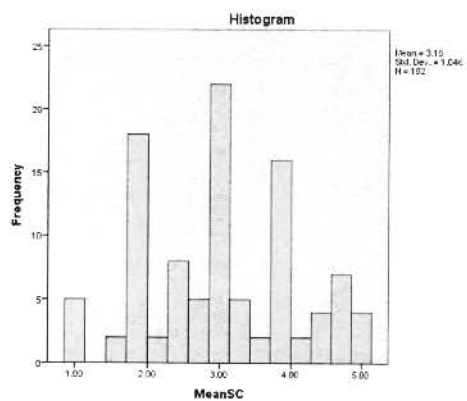


3) Training

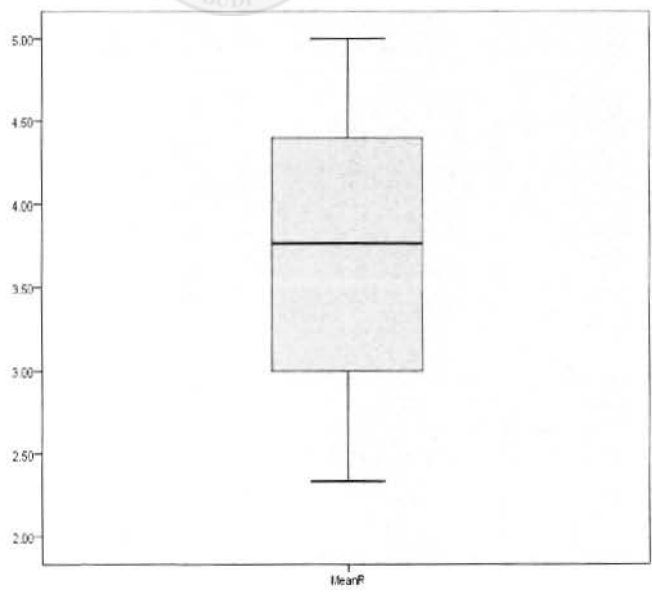
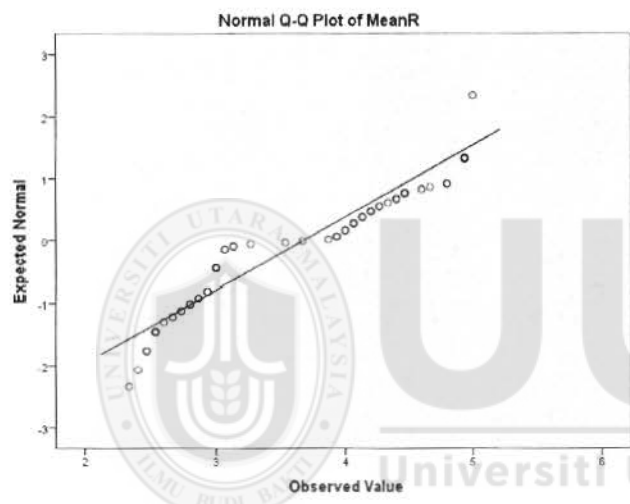
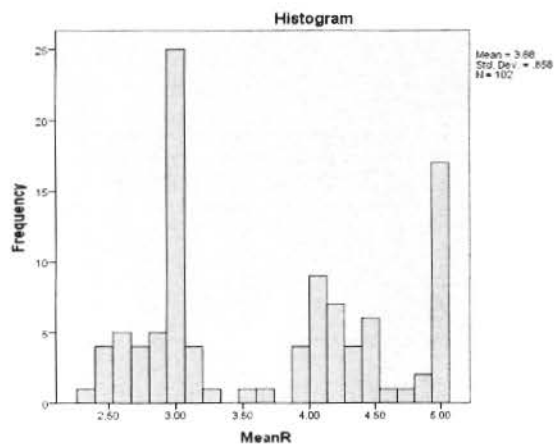




4) Social Capital



5) Religiosity



APPENDIX E

Correlations

		Correlations				
		MeanPPU	MeanCA	MeanTR	MeanSC	MeanR
MeanPPU	Pearson Correlation	1	.604**	.431**	.332**	.637**
	Sig. (2-tailed)		.000	.000	.001	.000
	N	102	102	102	102	102
MeanCA	Pearson Correlation	.604**	1	.794**	.652**	.627**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	102	102	102	102	102
MeanTR	Pearson Correlation	.431**	.794**	1	.711**	.592**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	102	102	102	102	102
MeanSC	Pearson Correlation	.332**	.652**	.711**	1	.560**
	Sig. (2-tailed)	.001	.000	.000		.000
	N	102	102	102	102	102
MeanR	Pearson Correlation	.637**	.627**	.592**	.560**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	102	102	102	102	102

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Regression

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.716 <sup>a</sup>	.512	.492	.77115

a. Predictors: (Constant), MeanR, MeanSC, MeanCA, MeanTR

b. Dependent Variable: MeanPPU

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	
1	(Constant)	.016	.348		.047
	MeanCA	.649	.149	.543	4.361
	MeanTR	-.153	.121	-.164	-1.267
	MeanSC	-.189	.109	-.182	-1.737
	MeanR	.625	.119	.495	5.231
					.000

a. Dependent Variable: MeanPPU

